

JPRS-CEA-85-104

25 November 1985

China Report

ECONOMIC AFFAIRS

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25 November 1985

CHINA REPORT

ECONOMIC AFFAIRS

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PROVINCIAL AFFAIRS

SHANDONG PEOPLE'S CONGRESS MEETING ENDS 31 OCTOBER

SK010627 Jinan Shandong Provincial Service in Mandarin 2300 GMT 31 Oct 85

[Excerpts] The 16th Standing Committee meeting of the Sixth Provincial People's Congress concluded at Jinan's (Shungeng) Hotel on the afternoon of 31 October after an 8-day session.

The meeting heard and discussed a report by the provincial Planning Commission on the province's fulfillment of the 1985 plan for national economic and social development, a report by the provincial Finance Department on the province's fulfillment of the 1985 budget, and a report by the provincial Health Department on the province's health work and opinions on future work.

Based on the nomination by the provincial CPC Committee, the meeting approved a decision of the provincial People's Congress Standing Committee on electing Li Zhen as a supplementary deputy to the Sixth NPC. It also approved a decision of the provincial People's Congress Standing Committee on examining and discussing the Shandong Provincial Provisional Regulation on 9-Year Compulsory education. The meeting also approved by vote a report by the provincial People's Procuratorate on appointing and removing procuratorial cadres.

When examining and discussing the reports of the provincial Planning Commission and the provincial financial departments, the participating members unanimously held: Since the beginning of this year, our province has conscientiously implemented the party's line, adhered to the policy of enlivening the domestic economy and opening to the outside world, actively promoted the reform, and has achieved gratifying results. The province's fulfillment of the plan for national economic and social development and of the budget is good. Major targets as set forth in the Sixth 5-Year plan have been prefulfilled by 1 year. This year the province expects to strike a balance between the year's revenue and expenditure. The members felt satisfied and happy about this.

During the discussions, the members also put forward some opinions and suggestions on the fulfillment of the plan and the budget of our province. Some said: Capital construction has been carried out too

fast during the past few years and investment in it has been too great. We experienced a great loss in the past for the same reason. Leading persons at various levels should sum up historical lessons well, clearly see the danger of such practices, and resolutely curtail investment in capital construction. It is necessary to strengthen macro-control. However, we should not try to control too rigidly the enterprises which just gained vigor whenever we talk about macro-control. We should seek truth from facts and refrain from uniformity when we exercise control over the high growth rate in production. We should also avoid the practice of achieving too high of a growth rate one time and too low at another. Some construction projects should be stopped resolutely, but production of the products which can create good economic results and which are urgently needed in the people's daily life should be accelerated and upgraded.

When examining and discussing the report by the provincial Health Department on the province's health work and the opinions on future work, the members held: Health work has developed fairly greatly during the past few years. Remarkable achievements have been scored in medical treatment, scientific research, food hygiene, and pharmaceutical control. However, there are still many problems crying for immediate solutions. For instance, although the government allocation for health work has increased every year, it lags far behind the needs in the development of health undertakings, and the masses still find it difficult to see a doctor or be hospitalized. They suggested that medical and health departments promote reform to a further extent, strengthen management, improve service in both quality and range, open up more avenues for medical treatment, and make medical and health work successful. Governments at various levels should further strengthen leadership over health undertakings and help solve some practical problems.

The members also suggested that medical and health departments intensify education on medical ethics among medical personnel so that they can serve the people better.

Some members also pointed out: At present there are still many problems in food hygiene and the quality of medicines. We should give more publicity to the laws governing food hygiene and pharmaceutical control, strengthen the people's sense of the legal system, and conscientiously do a good job in food hygiene and pharmaceutical control so as to ensure the health of the people.

Vice Chairman Gao Fengwu presided over the session on 31 October. Chairman Li Zhen, and Vice Chairmen Xiao Han, Xu Leijian, Zhang Zhusheng, and Xu Jianchun attended. Vice Governor Ma Shizhong attended as an observer.

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HEBEI GOVERNOR ON 1986 ECONOMIC TASKS

SK310850 Shijiazhuang HEBEI RIBAO in Chinese 19 Oct 85 p 1

[Text] The Second (enlarged) Plenary Session of the Third Hebei Provincial CPC Committee held a plenary meeting on the morning of 18 October. Comrade Xie Feng presided over the meeting. In line with the spirit of the National Conference of Party Delegates and the actual situation of our province, Comrade Zhang Shuguang gave a speech on the economic work of our province. He gave a brief analysis and summary of the province's fulfillment of the "Sixth 5-Year" Plan and, on the basis of the guiding principles, fighting goals and policy measures as set forth in the CPC Central Committee's proposal for the "Seventh 5-Year" Plan, put forward the guiding ideology and major points of the province's economic work for 1986.

Comrade Zhang Shuguang first analyzed the provincial economic situation in his speech. He said: Thanks to our conscientious implementation of the policy of readjustment, restructuring, consolidation and improvement since the 3d Plenary Session of the 11th CPC Central Committee, we have shifted the focus of our work to socialist modernization, and have concentrated our efforts on the development of social productive forces. Since 1983, in particular, we have persistently carried out the policy of reform and opening to the outside world and, after achieving remarkable results in rural reform, have shifted our focus to reform of the urban economy, gradually extending partial reform and reform of a single field to overall reform. Fairly great progress has been made in price and wage reforms since the beginning of this year. Generally speaking, these two reforms have been implemented successfully and the people's minds have remained unruffled. Fulfillment of the "Sixth 5-Year" Plan has been basically good. A new situation of sustained, stable, and coordinated development and the prospect of self-sustained growth have appeared in the national economy of our province. They are mainly reflected in the sustained and stable growth in the national economy and improved economic results; in a more balanced proportion among agriculture, light industry and heavy industry and a more balanced proportion between accumulation and consumption; in a great change in the structure of investment; in a change from a standstill to a continuous growth in revenue; in successive good harvests in agricultural production; and in fairly good results in the macroeconomic control over capital consumption, credit, foreign exchange and consumption funds.

Comrade Zhang Shuguang said: During the "Sixth 5-Year" Plan period, the economic situation in our province has improved every year. However, we should clearly note that despite the excellent situation, there are still some problems in the province's economic work.

Next, Comrade Zhang Shuguang spoke on the guiding ideology, fighting goals, and major points of our economic work for 1986. He said: The general guiding ideology for our province's economic work for 1986 is to refrain from seeking too many and too fast results and developing numerous undertakings simultaneously; to resolutely bring investment in fixed assets, particularly the scope of investment in capital construction, under control; to concentrate financial and material resources on the production and construction of major light industrial, textile, energy, communications and raw material undertakings; to pay close attention to grain production and continue the readjustment of rural production; and to never relax control over market prices, ensuring a flourishing economy and, at the same time, preventing large fluctuations in commodity prices. The general fighting goal of our province's economic work in 1986 is to continuously follow the orientation of sustained, stable, and coordinated development and drive to achieve new growth in industrial and agricultural production, in domestic and foreign trade, in revenue and taxes, and in communication and transportation. The growth of industrial production should be 7 percent and that of agriculture 6 percent. Investment in fixed assets should remain at the same levels as in 1985. The rate of accumulation should be reduced to less than 30 percent. With regard to the major points of the work of 1986, Comrade Zhang Shuguang put forward the following ideas: First, we should invigorate enterprises and improve their economic results. The experience of Shijiazhuang City in overall and coordinated reforms in a style of "attacking and reacting" should be popularized continuously so as to invigorate large and medium-sized enterprises. All enterprises should learn from the experiences of Ma Shengli. Second, we should continue to readjust the production setup of rural areas and stimulate an overall development of the rural economy. Third, we should control the scope of investment in fixed assets in order to ensure the construction of key projects. Fourth, we should strengthen financial management and strive to increase revenue and cut expenditures. Fifth, we should accelerate reform of the circulation system and greatly expand the commodity economy. Sixth, we should organize people to popularize technologies and tackle technical problems in order to speed up technological progress.

Comrade Zhang Shuguang stressed in his speech: Good ideological and work style is an important guarantee for successful economic construction and reform. He urged the cadres at various levels of various departments throughout the province, in particular party and government leading cadres at and above the county level, to achieve a great change in their workstyle. He urged them to overcome the flaws of empty talk, paying lip service and doing work for appearance's sake and to work in a down-to-earth manner, do more solid, meticulous and painstaking work, and

stress actual results in work. He also called for efforts to streamline administration, break with "mountains upon mountains of documents and meetings" with great determination, practice frugality, and do our work industriously and thriftily.

Comrade Zhang Shuguang concluded: The tasks facing us are heavy and arduous. We should resolutely implement the guidelines of the National Conference of CPC Delegates, work in unison, unite as one, and make new contributions to the building of our province's socialist material and spiritual civilizations.

Beginning from the afternoon of 18 October, group discussions were held to discuss the speech of Comrade Zhang Shuguang.

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FUJIAN CONGRESS STANDING COMMITTEE SESSION MEETS

OW281321 Fuzhou Fujian Provincial Service in Mandarin 1130 GMT 25 Oct 85

[Text] The 16th Session of the Sixth Fujian Provincial People's Congress Standing Committee was held in Fuzhou on 25 October. Cheng Xu, chairman of the Fujian Provincial People's Congress Standing Committee, attended the meeting. Comrade Hu Hong was invited to attend the meeting, which was presided over by Wang Yan, vice chairman of the provincial People's Congress Standing Committee. The meeting drew up a plan for Standing Committee members to study the guidelines of the national conference of party delegates, and studied and defined the jobs of the chairman and vice chairmen, as well as the newly elected members of the standing committee.

Comrade Cheng Xu spoke at the meeting. He said: To earnestly study the documents of the national conference of party delegates will greatly help us improve the work of the Standing Committee. Leading cadres should in particular take the lead in studying these documents. From now to the end of this year, the Standing Committee should designate a specific period of time to earnestly study the documents of the national conference of party delegates by integrating them with the actual situation. Members of the Standing Committee should use the spirit of the conference as guidelines in carrying out the Standing Committee's work. Cheng Xu stressed that the Standing Committee should, currently and in a certain period to come, pay particular attention to the work in the following four areas:

1. We should first concentrate more on evaluating and supervising our economic development and structural reform programs;
2. We should continue to set up our work in economic legislation and the supervision on economic judicial work;
3. We should step up efforts to promote the socialist spiritual civilization, and organically integrate the work in promoting spiritual civilization and building a legal system; and
4. We should strengthen our efforts in conducting investigation and studies in order to improve our work style.

Cheng Xu hoped that all Standing Committee members would try to gain a thorough understanding of the spirit and essence of the documents of the national conference of party delegates so that they could unify their thinking under the spirit of the conference. He hoped that they would take more initiatives and be more creative in carrying out their work so that they could create a new situation in the Standing Committee's work.

Comrade Hu Hong also spoke at the meeting. He said: The Standing Committee has previously recorded some achievements due to the fact that its leading body -- particularly comrades within and outside the party -- has worked in unison, its working attitude has been serious and conscientious, it has taken the actual situation into consideration in carrying out its work, and its members have endeavored to study new things. He hoped that the Standing Committee would preserve the committee's fine work style and further improve its future work.

The meeting elected Cheng Xu as a deputy to the Sixth NPC, and appointed Wen Xiushan to concurrently assume the post of chairman of the Standing Committee's Examination Committee on the development of the eight bases of Fujian Province. The meeting also reviewed and approved the revised draft of the provincial regulations on (surveying). The meeting then heard a report by the Standing Committee office on the motions tabled at the Fourth Session of the Sixth Fujian Provincial People's Congress, and the opinions on how to handle these motions.

Vice chairmen of the Standing Committee attending the meeting were Guo Ruiren, Wen Xiushan, Kang Beisheng, Wang Zhi, Zheng Ming, Liu Yongye, Hou Linzhou, and Cai Liangcheng.

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PROVINCIAL AFFAIRS

JILIN HOLDS FINANCIAL-INSPECTION REPORT MEETING

SK290555 Changchun JILIN RIBAO in Chinese 14 Oct 85 p 1

[Text] Recently, the provincial People's Government held a report-back meeting of responsible persons of the work teams in charge of the general inspection over tax revenues and financial affairs. At the meeting, Comrade Gao Dezhan delivered a speech in which he put forward the following demands for the future work:

1. The leaders of localities and departments should further enhance their understanding on the importance of carrying out the general inspection over tax revenues and financial affairs, strengthen their leadership over the work, and should do a good job in earnestly and seriously conducting the work. After the inspection, efforts should be made to sum up the experience gained in the work, block the loopholes cropping up in the work, enhance management and administration, improve the quality of the enterprises and the rank of staff members and workers, and to upgrade the standard of the policies and professional affairs of cadres in charge of financial revenues and tax affairs. In carrying out the inspection, efforts should be made to first investigate well the problems, second to earnestly correct them, third to enhance administration, and fourth to upgrade the quality of inspection activities. In particular, attention should be paid to checking the losses and profits of the enterprises and especially falsifying profit reports in order to resolutely increase the province's economic results in a down-to-earth manner.

2. Efforts should be made to deepen the general inspection over tax revenues and financial affairs. In the work, we have made a good start, but the localities and departments should continuously exert efforts to grasp the work well and by no means lower their guard in the work. Efforts should be made to place the work emphasis on the task of encouraging the units to conduct self-examination, to do a good job in conducting propaganda work, to give a clear explanation to the policy, and to bring into play the enthusiasm of the units in successfully conducting self-examination in order to enable them to consciously expose their problems and actively deal with them. It is necessary to upgrade the quality of the general inspection. On the basis of doing a good job in conducting inspection among localities, attention should be paid to successfully carrying out the inspection among the key enterprises and

units and over the key problems. As for the discovered key problems, we must investigate them thoroughly and satisfactorily, sum up the experience gained in the problems, and must map out measures in order to guide the inspection throughout the locality as a whole. Attention should also be paid to doing a good job in fostering model cases in order to deepen the general inspection by following the model deeds. The provincial level organs should play their leading role in conducting the work and the directors of the departments and bureaus should take the lead in carrying out the general inspection successfully and grasping the inspection work among their subordinate units by unifying their leadership and action.

3. In carrying out the general inspection, it is necessary to enforce the responsibility systems. After concluding the inspection, the party organizations of the departments and units should be responsible for the recurrence of problems. No one is allowed to commit the malpractice in which units make new mistakes while carrying out the inspection and incur problems again after concluding the inspection. In carrying out the general inspection over tax revenues and financial affairs, we must do our work in a down-to-earth manner and by no means carry out the inspection superficially or perfunctorily.

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NI ZHIFU RECEIVES HUNGARIAN DELEGATION

SK271355 Tianjin TIANJIN RIBAO in Chinese 18 Oct 85 p 1

[Text] On the evening of 17 October, Ni Zhifu, president of the All-China Federation of Trade Unions, cordially received the Hungarian trade union delegation headed by Laszlo Gal, secretary of the Secretariat of the Hungarian National Trade Union Council.

During the reception, Ni Zhifu stated: We are conducting the drive to carry out reforms in the economic system in order to try to find a socialist path that is suitable to conditions in China and that reflects the characteristics of China. During the reform period, we will pay close attention to the experience gained by various countries in developing the economy, including, of course, the experience gained by the Hungarian People's Republic. Therefore, the work of increasing the contacts between the Chinese and Hungarian trade unions and the two peoples and developing cooperation and exchanges between the two countries represents the common will of both sides.

During the reception, Laszlo Gal stated: Our visit to your country at this time is aimed at enhancing the mutual ties between the trade unions of the two countries. We are very happy to witness the profound changes that have occurred in China and to witness that the Chinese trade unions have increasingly brought their positive role into play in Chinese political and economic life. We will certainly bring with us the profound friendship of the Chinese working class when we return home in order to introduce it to the Hungarian people and to promote the understanding the friendship between the two countries and the two peoples.

After the reception, Huang Shuyou, president of the municipal trade union council, gave a banquet in honor of the Hungarian guests.

The Hungarian delegation arrived in the municipality on 16 October. During its stay in the municipality, the delegation visited plants, villages, and schools, and took a tour of the city. It will leave the municipality on 18 October.

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PROVINCIAL AFFAIRS

BRIEFS

BORDER AREAS COORDINATION--An industrial and commercial administration coordination meeting for the border areas of Sichuan, Hubei, Hunan, and Guizhou was held in Guizhou's Songtao County on 15 October. Responsible persons of industrial and commercial administration departments from 14 counties of four provinces attended the meeting. Guizhou Provincial Governor Wang Chaowen attended the meeting and delivered a speech.

[Summary] [Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 17 Oct 85 HK]

PEOPLE'S CONGRESS COMMITTEE MEETS--The 7-day 16th session of the Sixth Zhejiang Provincial People's Congress Standing Committee closed today. The meeting today adopted a resolution on studying and implementing the guidelines of the CPC National Conference of Party Delegates. It called on government and mass organizations, people's congress deputies, and cadres at all levels in the province to seriously study the documents of the National Conference of Party Delegates; unify their thinking and action; firmly take the guidelines of the conference as the criteria for solving major problems concerning the four modernizations and other problems of concern to the masses; and work hard to realize the objectives, principles, and policies set by the National Conference of Party Delegates. Today's meeting also adopted a resolution on cracking down on serious economic crimes to ensure a smooth proceeding of the economic structural reform and a resolution on conscientiously checking up on and overhauling business companies. It also examined and approved some personnel appointments and removals. Vice Chairman Chen Angu presided over and addressed today's meeting. Chairman Li Fengping and Vice Chairmen Shang Jingcai, Li Yuhua, Wu Zhichuan, and Wang Qidong attended the meeting. Vice Governor Wu Minda and some others were present at the meeting as observers. [Text] [Hangzhou Zhejiang Provincial Service in Mandarin 1100 GMT 29 Oct 85]

LIAONING ECONOMIC IRREGULARITIES REVEALED--At the provincial meeting of procurators at the city level, which ended on 1 November, Hu Qicheng, chief procurator of the provincial People's Procuratorate, said: At present, such economic irregularities as embezzlement, stealing, practicing bribery and accepting bribes, and engaging in speculation and fraud are still very rampant in our province. We must place the campaign against serious economic irregularities in an even more important position, concentrate our efforts on grasping major and appalling cases, and severely punish according to law those criminals who indulge in serious cases of embezzlement, stealing, speculation, fraud, and practicing bribery and accepting bribes. He pointed out: In line with the guidelines of the National Conference of Party Delegates, procuratorial organs at all levels in the coming winter-spring period should strengthen economic and legal procuratorial work in order to promote the further improvement in party style and the social atmosphere. [Text] [Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 1 Nov 85]

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CSO: 4006/209

ECONOMIC MANAGEMENT

GUANGXI MEETING STRESSES ECONOMIC LEGAL WORK

HK190643 Nanning Guangxi Regional Service in Mandarin 1130 GMT 18 Oct 85

[Excerpts] A 4-day regional economic legal work conference concluded today.

In connection with the realities of Guangxi, the participants discussed the importance and urgency of strengthening economic legal work. They said: Since the second half of last year, certain problems have emerged in the region in the course of invigorating the economy. For instance, party and government organs have run businesses, there has been random issuing of loans, people have speculated in foreign exchange, there have been arbitrary price hikes, indiscriminate fines have been imposed, false trademarks have been used, and tax payment has been evaded, and so on. These things have seriously interfered with our reform of the economic structure. An important reason for the emergence of these problems is that our economic legal work has been unable to keep up with the needs of developments. Many leading cadres have not embraced the concept of using legal measures to run the economy.

The meeting demanded that the government at all levels, the departments in charge of the economy, and the leaders of enterprises attach importance to economic legal work, study economic rules and regulations and become familiar with them, and embrace the idea of using laws to run the economy. It is necessary to get a good grasp of training cadres for economic legal work, step up propaganda in economic law, and promote the implementation of the rules and regulations.

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CS0: 4006/204

ECONOMIC MANAGEMENT

HUBEI CHECKS GROWTH RATE OF INDUSTRIAL PRODUCTION

HK211531 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 20 Oct 85

[Text] From January to September, the province's industrial production gained a good momentum marked by steadiness, coordination, and continuous growth. The province also checked the rapid growth rate of industrial production, and gradually improved economic results. Compared with the same period last year, the province's financial revenue increased by 20.23 percent. On the basis of increasing the gross budgetary output value by 15.18 percent, the state-run industrial enterprises increased profits and taxable amount by 27.87 percent, and increased the amount of tax delivered by 19.56 percent.

The growth rate of the province's industrial production was gradually reduced starting from April this year. Compared with the same period last year, the gross industrial output value increased by 25 percent. Under the strengthened planned guidance of the provincial CPC Committee and the provincial government, and with the coordination of various areas, the province has readjusted the growth rate of the third quarter to the level of 15.1 percent. Under the circumstances of reducing the growth rate, the development trend of various industrial departments has become more rational. Of these, metallurgical, building materials, and textile industries maintained their rising trend; whereas machine-building, petrochemicals, coal, power, and the first and second light industrial departments gradually reduced their growth rate.

In the course of readjusting the growth rate, many industrial departments focused on improving product quality and technological progress. From January to August, the province's rate of maintaining and improving the quality of major products was increased by 8.3 percent compared with the first half of this year. The cumulative output value of quality products was 95 percent higher than that of the same period last year. Moreover, the growth rate of the four major means of production consumption, that is steel, coal, cement, and wood, by enterprises owned by the whole people was lower than that of the industrial output value.

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CSO: 4006/204

ECONOMIC MANAGEMENT

GOOD RESULTS ATTAINED IN REFORM OF PRICE SYSTEM

HK291346 Beijing XINHUA Hong Kong Service in Chinese 0827 GMT 28 Oct 85

[Text] Beijing, 28 Oct (XINHUA) -- In an article published in LIAOWANG today, Yuan Mu, deputy secretary general of the financial and economic leading group of the State Council, pointed out that judging from the practice in the past few years, the reform of China's price system is very favorable to invigoration of the national economy as a whole and the results are good.

The article says: Since 1979, China has considerably reajusted commodity prices. In the meantime, it has also initially reformed the price control structure and has begun to make a gradual transition from a unitary form of planned pricing to diverse forms of price, including unified state prices, floating prices, negotiated purchase and sale prices, and fair market prices.

In discussing the results of the price reform in the past few years, the article says: First of all, the price reform has played a very important role in stimulating the development of agricultural production. A decisive factor in the great changes in the rural areas in the past few years has undoubtedly been the reform of the rural economic structure. Meanwhile, since the 3d Plenary Session of the 11th CPC Central Committee, the state has considerably raised the purchase prices of agricultural and sideline products such as grain, cotton, sugar crops, meat, fowl, eggs, and aquatic products, thus thoroughly changing the previous situation characterized by excessively low state purchase prices. This has enabled the peasants to gain great benefits and has played a very great role in arousing the initiative of the peasants and stimulating the development of agricultural production.

Second, a rational adjustment of the industrial production setup has played a useful and stimulative role. By readjusting the prices of such products as coal and pig iron, the price ratios between some products of the raw materials industry and those of the processing industry have improved to some extent and the irrational price situation has been relieved to some degree. After an initial price readjustment, fairly good results have also been attained in textile and other light industries. Following a price reduction, a situation marked by the unmarketability and

overstocking of chemical fiber cloth has changed rapidly, thus stimulating the development of the textile industry and improving the quality and structure of people's clothing.

Third, the price readjustment in the past few years has also played a remarkable, stimulative role in enlivening production and circulation.

The article says: On the basis of price reform in the past few years, since the beginning of this year, China has taken bigger steps than in the past on the path of systematically carrying out price reform. Judging from the overall trend, the situation is good and stable and has not had any great mishaps. Naturally, we shall probably have to wait until the end of this year or the beginning of next year before we can make a realistic and comprehensive appraisal of the results.

Talking about the effect of price reform on the people's livelihood, the article says: The initial price reform conducted in the past few years has stimulated economic development. At the same time, the price hike margin is also a little higher than in the past. On the whole, however, the extent of improvement in the people's living standard is still greater than that of the price hike and so the actual life of the people has markedly improved. We should neither doubt nor negate this basic fact. Nor should we notice only this basic fact without recognizing the fact that, given the overall situation, the living standard of a considerable number of people has not improved and the actual living standard of some people has even dropped to some extent.

The article points out: Since the beginning of this year, the price hike has been faster than in the past few years. The emergence of this situation has been chiefly caused by several factors. Since the fourth quarter of last year, there has been a drastic increase in the scope of extrabudgeted investment in fixed assets, credit funds, consumption funds, and currency supply, aggregate social demand has exceeded aggregate social supply, and there has been excessive distribution of national income. For this reason, in our current economic work we should resolutely carry out the measures adopted by the CPC Central Committee and the State Council concerning this problem and strive to strengthen macroeconomic control, readjustment, and management in order to keep the price hike within a certain limit. This is a very arduous task and we should exert ourselves to fulfill it.

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CSO: 4006/209

ECONOMIC MANAGEMENT

GUANGDONG COMMENTARY ON FOREIGN EXCHANGE

HK020303 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT
31 Oct 85

[Short commentary by station reporter: "Use the Best Steel to Make the Knife Edge"]

[Text] In the wake of the implementation of the policies on reform and on opening to the outside world, how should the retained foreign exchange of enterprises be spent? Attention must be drawn to this problem.

Over recent years, some places and units have been keen on using their retained foreign exchange to engage in speculation or to deal in foreign goods. They have imported large quantities of non-productive goods for daily use and sold them at raised prices. This is obviously wrong because in doing so, the state financial management is disturbed, the domestic markets are hit, state economic construction is affected, the consumers' burdens are increased, and harm is done to both the state and the people. We have already had a profound lesson from this.

The best steel must be used to make the knife edge. After comrades in Dongguan City paid attention to this problem, they have used this hard-earned foreign exchange to develop new enterprises and projects in a down-to-earth manner and to import advanced technology and equipment in order to continuously increase reproduction capacity, resulting in vigorously promoting the economic development throughout the city.

The experience of Dongguan City in strengthening control over retained foreign exchange and using it well can be used for reference.

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CSO: 4006/209

FINANCE AND BANKING

YUNNAN OVERFULFILLS 5-YEAR PLAN FINANCIAL QUOTAS

HK231350 Kunming YUNNAN RIBAO in Chinese 5 Oct 85 p 1

[Report: "Yunnan Province Has Overfulfilled Ahead of Schedule the Financial Revenue Quotas Set in the 'Sixth 5-Year' Plan"]

[Text] The figures provided by the provincial Financial Department show that as the economic structural reform deepens, our production continues to rise and our circulation continues to expand, and that our province has overfulfilled ahead of schedule the financial revenue quotas set in the Sixth 5-Year Plan.

From 1981 to the end of August 1985, the whole province has fulfilled the task of collecting 7.95 billion yuan of revenue, 3.8 percent more than the quota for total revenue set in the Sixth 5-Year Plan. This is an average annual increase of 15.4 percent, greater than the 7 percent rate of increase required by the Sixth 5-Year Plan. It is estimated that from September to December this year, an additional 750 million yuan of revenue will be collected.

The increase in financial revenue has provided necessary funds for various construction projects in our province. During the past 5 years, in regard to investment in capital construction, a total of 4.92 billion yuan has been applied to projects tapping the potential of our enterprises and of the technological transformation of our enterprises, to the development of new products, to construction projects providing aid to agricultural production, and to small water conservation projects. Of this, the expenditure supporting the development of agricultural production totalled over 1.7 billion yuan in the 5 years, 9.6 percent more than the total funds that were spent to support agriculture in the preceding 10 years. The funds that were spent to develop science, technology, education, and medical undertakings in order to exploit our intellectual resources also rose sharply in the 5 years and reached 3.27 billion yuan, which accounted for 28.2 percent of the total financial expenditure. In addition, during the past few years, the province has also vigorously readjusted the proportional relationship between accumulation and consumption, reasonably handled the relations between production and construction and the improvement of people's standard of living, and enabled urban and rural people's income to rise year by year on the basis of

the development of production and the improvement of economic results. The per capita income for the peasants in the province in 1984 was 316 yuan (including the income from redistribution), a rise of 114 percent over 1981. The average wage income of staff and workers in cities and towns reached 1,019 yuan, 34 percent more than that in 1980. As the urban and rural people's standard of living has improved, the balance of the bank deposits of our urban and rural people has also risen quickly. The total balance has increased by 220 percent over 1980.

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CSO: 4006/211

FINANCE AND BANKING

GUANGDONG ISSUES CIRCULAR ON CURRENCY CONTROLS

HK190547 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 19 Oct 85

[Text] The Guangdong Provincial People's Government recently issued a circular demanding that the province carry out seven tasks to continue to control the amount of currency and get a good grasp of withdrawing currency from circulation. These tasks are as follows:

1. Strictly control the scale of investment in fixed assets. The banks must strictly control according to plan their loans for fixed assets. It is strictly forbidden to misappropriate mobile funds and bank loans to carry out capital construction. No unit is permitted to arbitrarily raise capital in society without approval from the Guangdong branch of the People's Bank of China. This is for the purpose of avoiding expanded investment in capital construction and greater scale of credit.
2. Vigorously organize savings deposits.
3. Strictly control expenditures of consumption funds. It is impermissible to randomly pay out bonuses, subsidies, or goods in kind under a variety of pretexts, or to issue bonuses in a disguised fashion by increasing share dividends under the pretext of raising capital within the enterprises.
4. Strengthen credit controls and get a good grasp of recovering payment for goods. It is necessary to strictly control loans for individual entrepreneurs, specialized households, and households undertaking contracts. Loans for township and town enterprises must, in accordance with the regulations, be supplementary to their own capital. Where such capital does not meet the proportion stipulated in the regulations and is not promptly supplemented, the banks should stop issuing loans.
5. Do a good job of market supplies so as to withdraw more currency from circulation.
6. Strengthen controls over cash.
7. Reduce expenditures. All organs, bodies, PLA units, schools, enterprises, undertakings, and units must strictly implement the regulations on controlling the purchasing power of social groups, and cut expenditures on equipment and administration.

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CSO: 4006/211

FINANCE AND BANKING

ANHUI'S HUANG HUANG MEETS JAPANESE BANKER

OW040602 Hefei Anhui Provincial Service in Mandarin 1100 GMT 2 Nov 85

[Excerpt] Huang Huang, secretary of the Anhui Provincial CPC Committee, met with Mr Shiro Egawa, president of the Nippon Credit Bank, and his party at the Louyang Guesthouse in Hefei the evening 31 October, according to ANHUI RIBAO. He had a cordial and friendly conversation with the guests.

Hong Qingyuan, member of the Standing Committee and secretary general of the provincial party committee, was present at the meeting.

Mr Shiro Egawa and his party were visiting China and our province at the invitation of the China Bank and the Anhui Provincial Commission for Foreign Economic Relations and Trade.

In his meeting with the guests, Huang Huang said: In June of this year, I visited your country as head of an Anhui provincial delegation, and we were accorded warm hospitality by Mr Shiro Egawa and your country. I would like to express my gratitude to you here. I hope that during your visit, Mr Shiro Egawa will hold wide-ranging talks with our province on the exploitation of natural resources and the financing of projects in order to promote the development of friendship and cooperation between the two sides.

Mr Shiro Egawa said: Developing Japanese-Chinese friendship and cooperation is our common wish. By holding talks, we are ready to provide conditions for cooperation and to do our best to help Anhui exploit its natural resources and develop its economy.

On 11 November, the province's international trust and investment service corporation and other units held talks with Mr Shiro Egawa's Nippon Credit Bank all night long and reached a business cooperation agreement, which was signed the same night.

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CSO: 4006/211

FINANCE AND BANKING

BRIEFS

JIANXI REVENUE INCREASE--During the Sixth 5-Year Plan, state revenue in Jiangxi Province has been increasing and economic situation has been improving every year. The state revenue in 1984 was 1,501 million yuan which exceeded the target of 1.5 billion yuan set for 1985. The amount was 254 million yuan more than in 1980, a 20.4 percent increase. The annual increase of state revenue has been 4.8 percent. From last January to September, the state revenue in the province was 1,508 million yuan, a 33.2 percent increase over the same period in 1984. It is estimated that by the end of this year, the state revenue for 1985 may reach 1.92 billion yuan mark, over 400 million yuan increase as compared with that of 1984 or 28 percent more than the target set by the Sixth 5-Year Plan, 1985. [Text] [Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 31 Oct 85 OW]

JIANGXU GOVERNOR AT CONSULTANCY OPENING--With the approval of the provincial government, the Jinling Finance and Accounting Consultancy opened in Nanjing today. The company will accept orders from economic organizations, enterprises, social institutions, and individuals at home and abroad for consultation regarding financial matters, accounting, taxation, and science and technology. In her speech at the opening of the company, Governor Gu Xiulian said that the company is a nonprofit organization that uses its mental capabilities to supply intellectual commodities. In order to serve decisionmaking and structural reform of the economy, intensify the control of macroeconomic activities, and raise economic efficiency, the company will actively take part in the government study of the feasibility of a major project and formulation of scientific and technical and economic plans, as well as plans for technical transformation. [Text] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 30 Oct 85 OW]

GUANGDONG TAX COLLECTION--In coordination with tax organs, procuratorial departments at all levels in Guangdong Province have enforced the laws and orders on tax collection and strengthened control over tax collection so that the amount of taxes in our province has increased year by year. The amount of industrial and commercial taxes collected in our province from January to September this year was 5.8 billion yuan and was some 100 percent more than the total amount--2.67 billion yuan--in the whole of 1980. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 23 Oct 85 HK]

JILIN REVENUE, EXPENDITURES--By the end of August, Jilin Province fulfilled 81.7 percent of its annual revenue plan, showing an increase of 28.9 percent over the same period last year in comparable terms; and realized by 67.4 percent its annual expenditure plan, an increase of 16.6 percent over the same period last year. Of the expenditures, administrative expenditures declined by 1.3 percent from that of the same period last year. [Text] [Changchun JILIN RIBAO in Chinese 1 Oct 85 p 1 SK]

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CSO: 4006/211

MINERAL RESOURCES

BRIEFS

LARGEST GOLD MINE FOUND--At the present time the verified reserves of the Jiaojiashi gold mine are estimated to be one-third of the primary gold reserves of the entire country. For a long time now, our country's gold extraction industry has been primarily quartz vein style gold deposit extraction. This type of deposit has a pattern that is very complex. The quality is varied and the degree of difficulty of exploration is considerable. The Shanghai Bureau of Geology and Mineral Resources' 6th geological team collected a large amount of geological data, conducted scientific research, and broke through the restriction of finding gold in quartz veins. In Shandong's Yexian County, in a rocky area near Shanshan Island at Shibian Cliff a new type of gold deposit was discovered. The largest gold deposit in the country to date, the Jiaojia gold mine, was discovered. At the same time a number of large and medium-sized gold mines were evaluated. The discovery of these gold deposits greatly enlarges the scope of China's primary gold reserves. The scale of this type of gold deposit is broad, the ore evenly distributed and easy to choose and extract. Because the Jiaojia gold mine is the prototype of this type of deposit, Ministry of Geology and Mineral Resources has officially named it the "Jiaojia-type" of gold mine. The development of the "Jiaojia-type" of gold mine not only greatly improves the economic results of the gold industry in the Jiaodong area, it enriches and develops the theory of gold mine formation, and demonstrates the important progress made in our country's gold mine exploration technology. It has opened up a new world in the gold industry. [Text] [Beijing GONGREN RIBAO in Chinese 30 Aug 85 p 1] 13103/9274

CSO: 4006/20

INDUSTRY

YUNNAN REPORTS RISE IN TOURISM RECEIPTS

HK291201 Kunming YUNNAN RIBAO in Chinese 10 Oct 85 p 1

[Report: "Yunnan Province Relatively Quickly Develops Tourism in the Sixth 5-Year Plan Period"]

[Text] It is learned from the provincial Statistics Bureau that in the Sixth 5-Year Plan period, the province further developed tourism. In the wake of implementing the policy of opening up to the outside world, Yunnan showed its beautiful and unique plateau landscape and border view to more and more tourists.

From 1981 to 1984, the province's tourist department received over 141,000 tourists from overseas, Hong Kong and Macao. A breakdown of the figures shows that the province received more than 51,000 tourists last year, an increase of 1.5 times over the number in 1980. It is expected that the province will receive more than 60,000 foreign tourists this year.

In the wake of tourist development, the province's tourist department has constantly improved facilities, its reception capacity, and the standard of services. Over the years, the province used foreign capital for building the Cuihu and Kunming hotels. As of now, the provincial tourist system's three hotels have a total of 1,247 beds, doubling that of 1980. For the convenience of tourists, the province also increased the number of tourist limousines and tourist staff. Through training, the province constantly improved the service standards of tourist staff.

Following the development of tourist spots, the number of tourists visiting Dali, Xishuangbanna and other places, as well as the Kunming area, increased year by year. Many prefectures and autonomous prefectures have built hotels, as well as developing and renovating tourist spots.

Through the above measures, the province's tourist system registered annual increases in turnover, profits and the amount of foreign exchange earned in the Sixth 5-Year Plan period. Last year, its turnover was 15.77 million yuan, 3.3 times higher than that of 1980. Its profits were 5.12 million yuan, 2.1 times higher than that of 1980. Its foreign exchange revenue was 3,427,000 yuan, an increase of 95.7 percent over that of 1980. It is expected that this year's foreign exchange revenue from the province's tourist system will be 40 percent higher than that of last year.

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CSO: 4006/212

INDUSTRY

BRIEFS

HIGH-TEMPERATURE RESISTANT FIBER--Changsha, October 27 (XINHUA)--A high-temperature resistant fiber passed appraisal in this capital of Hunan Province today. Developed by the National Defence Science and Technology University over the past 5 years, the silicon carbide fiber, still in a laboratory stage, can be woven into high-temperature resistant conveying belts and cloth for filtering out impurities in molten metals. It is widely used in space flights, aviation, metallurgy, nuclear energy and chemical industry. Professors and engineers from 34 ministries and universities on the panel attended the appraisal meeting. [Text] [Beijing XINHUA in English 1613 GMT 27 Oct 85 OW]

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CSO: 4020/65

CONSTRUCTION

BAOSHAN IRON AND STEEL COMPLEX BEGINS OPERATION

Beijing JINGJI RIBAO in Chinese 16 Sep 85 p 1

[Article by Shu Xiu [5289 0208]: "Baoshan Iron and Steel Works Lights No 1 Blast Furnace Ahead of Schedule; Steel Industry Strengthened; Metallurgy Advances"]

[Text] The No 1 furnace at the Baoshan Iron and Steel Complex, which has occupied the attention of the whole nation, was lit at 10:00 am on the 15th after a 7-year struggle by more than 70,000 construction workers. Our country's iron and steel industry has thus taken a new step forward.

State Councillor Song Ping, who made a special rush trip from Beijing for the lighting ceremony, represented the State Council in conveying warm congratulations on the lighting of the No 1 blast furnace. He personally held the torch to light the furnace. He said: Baoshan is our country's largest capital investment project. Its completion and starting up process great significance of improving our iron and steel production, building technology and level of management, accelerating national economic development, and achieving the Four Modernizations.

The Shanghai Baoshan Iron and Steel Complex's main plant was a large-scale enterprise in our country. The CPC Central Committee and the people of the whole country have all been very interested in this construction project. Since ground-breaking and the beginning of work in 1978, more than 70,000 construction workers from all over the country have struggled for 7 years. The overall investment in the first stage of construction was 12.8 billion yuan which included the biggest furnace, the biggest coke furnace, the biggest gas storage tank, the biggest rolling steel mill, and a series of the biggest enterprises in the nation. The total is 1,042 individual projects. The first stage employed 37 computers and more than 200 microprocessors, making the Baoshan Complex become a modern integrated complex.

After the No 1 furnace was lighted to undergo round-the-clock smelting, on the afternoon of the 16th the blast furnace was tapped, closely followed by the turning on of the furnace. The rolling mill began to roll. It will be able to produce within the year 300,000 tons of steel. By next year it will greatly increase production, and gradually, 3 years later, it will reach the

planned capacity. After the construction of both phases, it will result in an annual production of 6,500,000 tons of iron, 6,770,000 tons of steel, 4,220,000 tons of steel products and 1,220,000 tons of semifinished goods, in overall productive capacity. In the future, the face of iron and steel production will have changed a great deal.

Every type of high quality steel product at Baoshan is urgently needed material for our present domestic oil exploration, automobile manufacturing, household appliances, food packaging and other areas. The completion of the Baoshan Iron and Steel Complex will put an end to China's current passive situation of annually spending several billion yuan for imported steel products.

Also attending today's lighting ceremony of the No 1 furnace were the concerned ministries and commissions under the State Council, the leading comrades of Shanghai Municipality and the Vice-President of the New Japanese Steel Trunk Company, Toda , and the Japanese Consul General in Shanghai, Yoshida, and over 700 others.

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CSO: 4006/20

CONSTRUCTION

BRIEFS

HARBOR PROJECT READY FOR BIDS--The Yangpu harbor has completed the preparatory work to call for tenders, and started distributing the documents for tenders among the departments concerned. The first phase of Yangpu Harbor project is one of the planned projects of the Seventh 5-Year Plan, worth 180 million yuan. The whole project involves the construction of two 20,000 ton berths with an annual handling capacity of 1 million tons. The construction includes a dredging project, a (Lu Yu) project, and a number of corresponding facilities. In order to improve the comprehensive economic results of the projects, the Ministry of Communications decided to construct the harbor by contracting out the whole project. In July this year, the Hainan Bureau for Port Affairs organized relevant engineers and technicians to form a group to compile the bidding documents. Now, the group has completed the task. The bidders of the first phase of the Yangpu Harbor project are engineering bureaus Nos 1, 2, 3, and 4 under the Ministry of Communications. The bidders are asked to hand in their applications and quotations in January 1986, so as to determine the winner of the bid. [Text] [Haikou Hainan Island Service in Mandarin 0400 GMT 22 Oct 85 HK]

TRANS-ANHUI HIGHWAYS--Hefei, 13 Sep (XINHUA)--The Anhui Provincial Government recently decided to build two major highways running across the province: one, running north to south from Xuzhou to Tunxi, will span 609 kilometers; the other, running east to west from Pukou to Yeji, stretches 265 kilometers. The entire project, to be financed at local level, will require a total investment of 1.57 billion yuan, and is expected to be completed with 10 years. [Summary] [Beijing XINHUA Domestic Service in Chinese 0007 GMT 13 Sep 85 OW]

NEW GUANGZHOU HARBOR APPROVED--Guangzhou, November 3 (XINHUA)--A new harbor area will be built at the Huangpu Harbor in Guangzhou, according to a recent State Council decision. The project will include 10 deepwater berths, with an annual cargo handling capacity of 7.6 million tons, and a barge and service area, 26.3 kilometers of railway, 11 kilometers of roads, 20 bridges and aqueducts and a warehouse. It will cost an estimated 681 million yuan. The Ministry of Communications has decided to use a loan from the World Bank and invite foreign tenders to construct the new harbor area. The whole project is scheduled to be completed by the end of 1995. Huangpu Harbor is a large comprehensive harbor in South China and one of the container shipping centers. The new harbor area will be located in Dongguan County, opposite the Huangpu new harbor. Prospecting of the project is now under way. [Text] [Beijing XINHUA in English 0653 GMT 3 Nov 85 OW]

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CSO: 4020/65

DOMESTIC TRADE

ECONOMIC, TECHNOLOGICAL COOPERATION WITH NATION INCREASES

HK211204 Kunming YUNNAN RIBAO in Chinese 2 Oct 85 p 1

[Report by Jian Ming [4675 2494]: "Yunnan Province Has Signed More Than 2,500 Agreements on Economic and Technological Cooperation Projects This Year"]

[Text] Economic and technological cooperation has developed very fast in Yunnan this year. More than 2,500 economic and technological cooperation agreements between Yunnan and other provinces and between various prefectures, autonomous prefectures, cities, and counties have been signed, an increase of more than 100 percent over 1984. More than 1,700 agreements have been signed between units within Yunnan and more than 700 agreements between Yunnan and other provinces, which will introduce over 80 million yuan into Yunnan.

Economic and technological cooperation in Yunnan has three features: First, the attraction and radiation of central cities' economy and technology are growing with each passing day. Kunming City, for example, has signed a total of over 180 agreements with six prefectures, autonomous prefectures, and cities, while various prefectures, autonomous prefectures, cities and counties have set up over 120 economic and trade "windows" in Kunming. In addition, the scientific and technological departments, colleges and universities, and factories and mines in Kunming and other central cities have signed 145 scientific and technological service agreements with the rural areas. Second, the number of agreements jointly signed by several units is increasing. According to statistics carried out by Honghe Autonomous Prefecture and Yuxi Prefecture alone, there are 159 such agreements. Third, the number of cooperation agreements signed by town and township enterprises is increasing drastically, now amounting to over 580.

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CSO: 4006/213

FOREIGN TRADE AND INVESTMENT

ANHUI'S WANG YUZHAO, PARTY LEAVE FOR U.S.

OW250403 Hefei Anhui Provincial Service in Mandarin 1100 GMT 23 Oct 85

[Text] The six-member Anhui Provincial People's Government Economic and Trade Delegation, with Governor Wang Yuzhao as its leader and Zhao Huaishou, secretary general of the provincial government, and Zhu Yang, chairman of the provincial Economic Committee, as its deputy leaders, left Hefei for Shanghai by train on the evening of 22 October, enroute to the United States and Canada.

The delegation's main purpose is to strengthen the friendly relations between our province and the state of Maryland. As early as September 1979, when Wan Li led our provincial delegation on a visit to this state, both sides agreed to establish province-state friendly relations, and later, in June 1980, formally signed an agreement. In the past 5 years, these friendly relations have developed through exchanges.

The provincial delegation will engage in general economic and trade activities, contact U.S. economic and trade experts, and hold consultations on a number of economic and technical cooperation projects, as well as exchange and cooperation projects in the cultural, educational, scientific, public health, and sports fields. It also brought along a list of Anhui's export commodities. The delegation wishes to further enhance the friendly relations between Anhui and Maryland, through economic and trade cooperation.

When the delegation left Hefei, leading provincial party, government, and military cadres bade it farewell at the railway station.

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CSO: 4006/213

FOREIGN TRADE AND INVESTMENT

CHINA TO STAGE 13 ECONOMIC AND TRADE EXHIBITIONS ABROAD IN 1986

HK280402 Beijing ZHONGGUO XINWEN SHE in Chinese 1328 GMT 24 Oct 85

[Text] Beijing 24 October (ZHONGGUO XINWEN SHE)--China will hold an economic and trade exhibition in Moscow between 25 July and 10 August 1986. This is one of the larger of the 13 economic and trade exhibitions China is to hold abroad in 1986 according to an initial decision by the China Council for the Promotion of International Trade.

In August 1986, China is to hold an export commodities exhibition in Tokyo, a machinery products exhibition in Addis Ababa, Ethiopia in March 1986, and two separate export commodities exhibitions in Douala and Yaounde, Cameroon in the Autumn of 1986.

In 1986, China is to participate in eight world fairs: The GDR's Leipzig spring world fair, Switzerland's Basel spring world fair, Japan's Kobe import fair, Canada's Vancouver world fair, Malaysia's Kuala Lumpur world fair, Hungary's Budapest autumn fair, the Dallas world fair in Texas, U.S.A., and the Abu Zabi trade fair of the United Arab Emirates.

In order to promote the friendly ties between China and various countries, the China Council for the Promotion of International Trade is continuing to make arrangements so that more of China's economic and trade exhibitions will be held abroad.

The council has initially decided that 25 foreign exhibitions are to be held in China in 1986, including the U.S. aviation exhibition, the USSR industrial technology exhibition, international war industry exhibition, international defense technology exhibition, and international telecommunications and electronic computers exhibition. The total floorspace for the exhibitions covers about 150,000 square meters.

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CSO: 4006/213

FOREIGN TRADE AND INVESTMENT

SUMMARY OF TALKS BETWEEN SHANDONG, STATE OF BAVARIA

SK140357 Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Oct 85

[Text] The summary of talks between Governor Li Changan and Governor Strauss was officially signed in Jinan on the morning of 11 October.

The summary states: From 6 to 8 October 1985, Li Changan, governor of Shandong Province held sincere and friendly talks with Professor Franz Josef Strauss, governor of the State of Bavaria of the FRG, on issues of common interest in Qingdao City. Both sides reviewed the developments in the mutually-related fields and expressed satisfaction with the friendly and economic and technical cooperative relations between the province and the State of Bavaria. Both sides also discussed issues on further developing the friendly relationship and issues on economic and technical cooperation between Shandong Province and the State of Bavaria in the future and reached the following identical views:

1. Shandong Province will select a proper time to hold an economic and technological exhibit at the international fair in Munich. The Bavarian State Government will give assistance and support.
2. Based on the experiences in the industrial technical exhibit held in Qingdao, the State of Bavaria will hold more specialized industrial and technological exhibits in Shandong Province. The Shandong Provincial People's Government will also give assistance and support.
3. The State of Bavaria agreed to provide the experiences and technical capabilities in the railway, highway, aviation, and inland navigation sectors of the Bavarian enterprises to Shandong Province. Experts of both sides will discuss issues concerning these sectors.
4. Both sides will create conditions and give support for the Bavarian enterprises to invest in Shandong Province. For this reason, the experience of the UN industrial development organization will be used.
5. On the Basis of mutually developing economic and technological cooperation, both sides will further develop and expand cooperation in transport facilities, means of transportation, mechanical engineering manufacturing, chemical industry, automobile manufacturing, electronic technical industry, and light industry.

6. The State of Bavaria will hold further discussion on helping Shandong Province train specialized personnel and on language training, with special attention being paid to language training.

7. While continuously developing bilateral economic and technical cooperation, Shandong Province and the State of Bavaria will strengthen exchange and cooperation in the cultural, educational, sports, and public health spheres.

8. Both sides agreed to soon establish friendly relations between the province and the State of Bavaria and between their cities.

Entrusted by Governor Li Changan and Governor Strauss, (Shi Tao), deputy secretary general of the Shandong Provincial People's Government and (Andong Yueman), minister of the Bavarian Ministry of Economic and Communications, signed respectively on the summary.

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CSO: 4006/186

FOREIGN TRADE AND INVESTMENT

DIRECT FOREIGN INVESTMENT REACHES \$11 BILLION

OW150803 Beijing XINHUA in English 0711 GMT 15 Oct 85

[Text] Beijing, 15 October (XINHUA)--China has signed contracts valued at 11 billion U.S. dollars of direct foreign investment from 1979 through last June, of which 4.7 billion has already been spent, an official from the Ministry of Foreign Economic Relations and Trade said here today.

Addressing the ongoing Sino-Australian Economic and Trade Laws Conference, Zhang Yuejiao, deputy division chief of the Department of Treaties and Law of the ministry, said the 11 billion U.S. dollars were invested in 1,618 joint ventures, 3,030 cooperatively-run enterprises, 94 foreign-owned enterprises and 31 offshore oil exploitation and development projects.

Direct foreign investment is one of the "various forms of economic cooperation" as provided by Chinese laws. Their rights and interests are also being protected by the laws, Zhang Yuejiao said.

So far, she added, China has enacted more than 50 laws and regulations concerning direct foreign investment.

China is now a member of the Paris Convention on Protection of Industrial Property Rights. It is now studying other international trade conventions.

The deputy division chief said China had always kept its commitments in international affairs. China would also strictly abide by the 12 bilateral agreements for protecting investment signed with Sweden, Romania, the Federal Republic of Germany and nine other countries. Also, China will honor the six agreements on avoidance of double taxation with Japan, the United States and four other countries.

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CSO: 4020/67

FOREIGN TRADE AND INVESTMENT

FOREIGN INVESTMENT IN SHANGHAI

During Sixth 5-Year Plan

OW272151 Shanghai JIEFANG RIBAO in Chinese 20 Oct 85 p 1

[Excerpts] Under the guidance of the CPC Central Committee's policy of invigorating the domestic economy and opening to the outside world, Shanghai has accelerated the use of foreign capital and obtained more foreign investment. According to statistics compiled by the municipal Statistical Bureau, in the first 4 years (1981-1984) of the Sixth 5-Year Plan, Shanghai signed 125 contracts on using foreign capital in joint ventures, cooperative business operations, commodity credit loans, foreign loans, etc. The contracts involved a total of \$593 million. In the first 8 months of 1985, 67 contracts were signed amounting to \$482 million.

Of the contracts signed in the first 4 years of the Sixth 5-Year Plan, 65 dealt with direct investment by foreign firms, amounting to \$530 million, or 89.3 percent of the total foreign capital obtained; 52 dealt with commodity credit loans, amounting to \$47 million, or 7.9 percent of the total foreign capital obtained; and 8 dealt with foreign loans, amounting to \$17 million, or 2.8 percent of the total foreign capital obtained.

During the first 4 years of the Sixth 5-Year Plan, the investments were made by firms of 11 countries (regions). Of direct investments, 32.4 percent were made by Hong Kong firms, 23.2 percent by U.S. firms 16.3 percent by FRG firms and 11 percent by Japanese firms.

During the first 4 years of the Sixth 5-Year Plan, foreign investment was made primarily in Shanghai's tertiary industry, with a total of \$327 million, or 61.8 percent of the total direct investment of foreign firms.

In order to make further use of foreign capital and attract more foreign investment, Shanghai should step up the construction of basic facilities and improve the investment environment. At the same time, it should pay attention to readjusting the orientation of investment, expand the ratio of industrial investment, achieve a balance between foreign exchange receipts and payments, and speed up the progress of the projects under construction in order to make effective use of foreign capital.

Foreign Investment Increasing

OW231105 Beijing XINHUA in English 0655 GMT 23 Oct 85

[Text] Shanghai, 23 October (XINHUA)--Sino-foreign deals involving 500 million U.S. dollars in overseas investment in Shanghai were approved by city authorities in the 3rd quarter of this year.

The figure is double the foreign investment in the first 6 months of this year, and more than all for last year's total, said an official of the Foreign Economic Relations and Trade Committee.

The new deals are for 20 joint ventures and 15 cooperative schemes.

Since it was opened for foreign trade and investment last year, Shanghai has attracted 141 joint ventures and cooperative enterprises involving 1.179 billion dollars of direct investment.

A fifth of this is in the manufacturing industry and two-thirds in real estate, said the official.

Twenty-six joint-venture hotels and apartment blocks will be built in the next 3 to 5 years.

One of the biggest schemes is the "Shanghai Center." It includes a theater and exhibition hall and involves 175 million dollars of foreign investment.

Development Aided by Foreign Investment

OW260744 Beijing XINHUA in English 0637 GMT 26 Oct 85

[Text] Shanghai, 26 October (XINHUA)--Shanghai has attracted over 1 billion U.S. dollars of foreign investment for its development since 1980, a city official said today.

The investment is being introduced through the establishment of 135 Sino-foreign joint ventures and cooperative enterprises, and foreign-owned businesses. Some have already started business.

Contracts have also been signed for more than 800 development schemes, involving imported foreign technology and equipment, costing 860 million U.S. dollars. Two hundred of these schemes have already been completed.

Shanghai authorities have decided to concentrate foreign investment into updating the technology of existing enterprises.

Among enterprises given priority in the use of foreign funds are those involved in engineering plastics, electronics, precision machine tools, household electrical appliances, photographic equipment, food processing and textiles.

The official said the joint ventures and cooperative enterprises had stepped up their production of export goods. More than a third of the 30 such partnerships approved this year would concentrate on the export market.

Several by-laws and local regulations had been passed to protect the interests of foreign investors.

Shanghai's food, video and hi-fi, textile machinery, plastics, metallurgy, ball-bearings, electrical equipment and printing industries have achieved great successes through applying advanced foreign technology, the official added.

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CSO: 4020/70

FOREIGN TRADE AND INVESTMENT

ZHEJIANG RURAL INDUSTRIES BOOST EXPORTS

OW281150 Beijing XINHUA in English 1118 GMT 28 Oct 85

[Text] Hangzhou, 28 October (XINHUA)--Factories run by peasants in Zhejiang Province now sell their goods to over 100 countries, according to the provincial Bureau of Rural Industry.

More than 300 such factories in this east China province are now export-oriented, the bureau said. The total exports will come to 320 million yuan this year, up 23 percent over 1984.

These are aided by government foreign trade agencies in the supply of market information, technical guidance and training of workers.

Peasants in Zhejiang have started 30,000 factories under the policy of encouraging a commodity economy to replace the traditional small farming economy undertaken mainly for the subsistence of the producer.

Ningbo, one of China's 14 coastal cities open to foreign trade and investment, is the province's biggest rural industry export-oriented center. Its 115 township-run factories produce 134 kinds of goods for export, including foodstuff, animal by-products, arts and crafts, hardware, knitwear, clothing, chemicals, electrical appliances and building materials.

The goods are sold to 100 countries, including Canada, France, Japan, Singapore and the United States, as well as Hong Kong.

The Ningbo factories are producing about 40 percent of all Zhejiang's export goods and manufactured by rural enterprises this year, the bureau said.

Prompt response to overseas market demand has enabled a frozen goods factory in Yinxian County to become one of Zhejiang's biggest frozen poultry export centers over the past 4 years.

On learning that frozen loaches were in great demand in Japan, factory director Qiu Xiaoliang stepped up production immediately. As a result, the frozen fish processed by the factory are airlifted to Tokyo and Osaka within 24 hours.

The factory has exported 590 tons of frozen ducks, geese, and loaches since 1981, earning nearly 4 million yuan.

Meanwhile, some rural factories have modernized through introducing foreign technology, equipment and managerial expertise.

Aided by the Jiaotong University in Shanghai, the Shangyu Blower Factory in Shangyu County built China's first blower for the cooling tower 5 years ago.

It imported 262 items of equipment from Denmark and other countries in 1983. Now, its low-noise, energy-efficient blowers sell well all over China and are exported to 11 countries.

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CSO: 4020/67

FOREIGN TRADE AND INVESTMENT

GUANGDONG REPORTS IMPROVED EXPORT SITUATION

HK310219 Beijing ZHONGGUO XINWEN SHE in Chinese 1530 GMT 29 Oct 85

[ZHONGGUO XINWEN SHE headline: "Guangdong's Export Situation Rapidly Improves"]

[Text] Guangzhou, 29 October (ZHONGGUO XINWEN SHE)--In the first 5 months of this year, Guangdong Province ranked last in the country in the fulfillment of its export task. Beginning in June, however, the situation took a rapid turn for the better. By the end of September, Guangdong had fulfilled 73 percent of its annual plan, exceeding the nation's average rate of progress, with a rise of 12 percent over the corresponding period of last year. This was disclosed to our reporter today by Xu Dezhi, deputy director of the Guangdong Provincial Foreign Economic Relations and Trade Commission.

Xu Dezhi said: Guangdong Province has succeeded in rapidly reversing the adverse trend by adopting the following four principal measures:

--Do a good job of management. Beginning in May, while implementing a strict quota and permit system toward bulk and key export commodities, the Guangdong Foreign Trade Department dispatched a work team to the key port of Wenjindu to help the customs house supervise and control the more than 3,000 vehicles delivering export commodities every day and plug the channel of "parallel goods." Over the past few months, losses amounting to HK\$50 million have been retrieved in pond fish and vegetables alone.

--Strive to raise the professional standards of personnel engaged in foreign trade. In May, beside organizing the more than 70,000 workers and staff members in foreign trade departments throughout the province to study professional work, the Guangdong Provincial Government and the departments concerned also encouraged a number of workers and staff members, who had been transferred to commercial departments in the previous 2 years, to return to the foreign trade departments. And, to suit the practical needs in foreign trade, the foreign trade establishments in various cities and prefectures, which had been previously abolished, were restored in June.

--Ensure the supply of goods. In an attempt to solve the problem of insufficient supply, Guangdong Province started importing in June some goods and materials urgently needed in the country, such as iron products and chemical fertilizer, in exchange for export commodities.

--Utilize foreign capital. In the Sixth 5-Year Plan period, Guangdong Province has utilized \$2.6 billion in foreign capital, with more than \$900 million probably to be utilized in 1985 alone. This has created a favorable condition for importing technology, transforming enterprises, and updating and upgrading export products. For example Guangdong exported hardly any toys in the past. Following the vigorous introduction of foreign capital and technology, Guangdong's exports of toys are expected to reach \$10 million this year.

There is still 27 percent of the export task to be fulfilled by Guangdong in the 4th quarter this year. Xu Dezhi was full of confidence about this because the 4th quarter is a busy export season. Judging by the present momentum, it is possible to overfulfill this task.

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CSO: 4006/213

FOREIGN TRADE AND INVESTMENT

BRIEFS

ANHUI FOREIGN TRADE FAIR--Anhui Province's first foreign trade fair, which lasted 22 days, ended 10 September with the conclusion of some 572 agreements worth 120 million dollars--1.4 times initial expectations--with businessmen from Japan, the United States, Hong Kong, and Southeast Asia. In particular, export contracts covering some 160 items were inked. The trade fair has provided foreign businessmen with better insight into the economic situation and potentials of Anhui Province. It also enabled the province to acquire precious foreign trade information and to explore foreign markets for its goods. [Summary] [Hefei Anhui Provincial Service in Mandarin 1100 GMT 12 Sep 85 OW]

LIAONING-HONG KONG VACUUM PLANT--The contract on a joint-venture vacuum coating plant in Hong Kong jointly invested in by the province and a firm in Hong Kong was ceremoniously signed in Shenyang on 15 October. This is the first enterprise jointly run by the province and a Hong Kong firm in Hong Kong. Jointly run by the Shenyang Vacuum Equipment Plant and the Hong Kong (Feifeng) Corporation, Ltd, this vacuum coating plant needs a total investment of \$600,000, with the Shenyang Vacuum Equipment Plant being responsible for technical equipment and the Hong Kong (Feifeng) Corporation, Ltd, being responsible for the site and facilities of the plant and the selling of products. In accordance with the stipulations of the contract, this plant will go into production in the first quarter of next year. [Excerpts] [Shenyang Liaoning Provincial Service in Mandarin 2200 GMT 16 Oct 85 SK]

SICHUAN OVERSEAS CHINESE INVESTMENT--Overseas Chinese departments in Sichuan have actively promoted economic and technological cooperation with Overseas Chinese, Hong Kong and Macao compatriots, and Chinese of foreign nationality. Since 1980, and especially since last year, these departments, together with the areas and departments concerned, have held discussions with Overseas Chinese and Hong Kong businessmen on 180 projects. They have imported \$75 million in Overseas Chinese and foreign capital on top of income of \$14.5 million from Overseas Chinese remittances since 1977. In recent years the province has invited over 2,000 Overseas Chinese experts and scholars from the United States, Japan, France, Britain, West Germany, Thailand, the Philippines, and Canada, and from Hong Kong and Macao to teach, lecture, and engage in academic exchanges. The province has also dispatched 480 science and technology personnel abroad to study and carry out investigations. Since 1983, some 180 enterprises of all types operated by Overseas Chinese capital have been set up in the province, providing jobs for 2,400 people. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 19 Oct 85 HK]

YUGOSLAVIA INCREASED TRADE VOLUME--Belgrade, 24 October (XINHUA)--Yugoslavia and China expect to increase their trade volume to 180 million U.S. dollars by the end of this year. Under a protocol signed here today at a Sino-Yugoslav Mixed Trade Commission session, China will export textile products, soybeans, rice and petroleum while import trucks, autos, coaches, chemical fertilizer and steel products. [sentence as received] In his talks with visiting representative of the Chinese Ministry of Foreign Economic Relations and Trade Chen Jie today, Vice-President of the Yugoslav Federal Executive Council Mijay Sukovic said that the prospects of trade and cooperation between the two countries are wide, hoping that cooperation in new fields would be explored. Chen Jie is here to attend the eighth session of the Sino-Yugoslav Trade Commission and the sixth meeting of the Sino-Yugoslav Industrial Mixed Commission. The mixed trade commission session has also put forward tentative order lists for the next 5 years and suggested orders for 1986. [Text] [Beijing XINHUA in English 0250 GMT 25 Oct 85 OW]

BELGIAN BUSINESSMAN-PRC COOPERATION--Beijing, 12 October (XINHUA)--Belgian Ambassador to China Jan Hollants Van Looke gave a reception here tonight to mark the 50th anniversary of F. Dahlmann's friendly cooperation with China. Dahlmann, guest of honor at the reception, is the vice-chairman of the Economic Committee of the Belgian-Chinese Friendship Association. He first came to China in 1935 and established a representative office of his company in Shanghai the same year. His company is now cooperating with China in building the Pingdingshan power plant in Henan Province. After the liberation of Shanghai in May 1949, Dahlmann was the first foreign industrialist invited by the then Shanghai mayor, Chen Yi, to visit the city. Since then he has contributed much to the development of Belgian-Chinese economic and trade relations. More than 100 officials from Chinese Economic and Trade Departments attended the reception. [Text] [Beijing XINHUA in English 1509 GMT 12 Oct 85 OW]

CITIC INVESTS IN AUSTRALIA--Beijing, 14 October (XINHUA)--The China International Trust and Investment Corporation (CITIC) is to buy 10 percent of the shares in an aluminum smelting plant in Australia, CITIC Vice-President Min Yu said here today. An initial agreement was signed here 8 October by representatives of CITIC, Alcoa of Australia, Ltd and the Victoria State Government, he added. It is learned that CITIC and the China National Non-Ferrous Metal Industrial Corporation will send a group to make an on-the-spot study and economic analysis, so as to make a final decision on this project. [Text] [Beijing XINHUA in English 1442 GMT 14 Oct 85 OW]

LAWS PROTECTING FOREIGN INVESTORS--Beijing, 14 October (XINHUA)--China is drafting a series of laws to protect the rights and interests of foreign investors, an official of the legislature said here today. Song Rufeng, deputy director of the Legislative Affairs Commission of the National People's Congress Standing Committee, said the new laws included one governing Sino-foreign cooperatively-run enterprises, and another for enterprises wholly-owned by foreign investors. Addressing the opening session of a Sino-Australian economic and trade law conference, Song said the NPC and its Standing Committee had over the past 6 years promulgated seven laws and several regulations exclusively covering Sino-foreign economic activities. The State Council had also enacted more than 50 regulations concerning international economic activities. Although China still had much to do to improve its economic legislation, the country had now passed or was drawing up several important laws covering foreign economic, trade and technical cooperation, Song said. The rights and interests of foreign investors would be protected by law. In addition, 12 agreements on mutual investment protection had been signed between China and other countries. [Text] [Beijing XINHUA in English 1655 GMT 14 Oct 85 OW]

SHANGHAI LABOR SERVICES' CONTRACTS--Shanghai, 30 October (XINHUA)--Shanghai has won 18 contracts worth 20 million U.S. dollars for overseas engineering projects and labor services in the first 10 months of this year. The Shanghai Corporation for Foreign Economic and Technological Cooperation, the company offering the services, is negotiating with foreign firms on 100 more deals, said Deputy General Manager Zhang Zhengkui. With registered capital of 500 million yuan, the corporation was launched in March of last year. It now has 1,400 engineers and skilled workers working in Japan, the Netherlands, Peru, the United States and Macao, Zhang said. The corporation has also set up joint ventures in Mauritius, Morocco, the Netherlands, Thailand and Hong Kong. Now it is stepping up cooperation with Australian firms in contracting international engineering projects, developing natural resources and expanding tourism. A delegation sent by the corporation is now in Darwin, Australia, to study the possibility of contracting to construct commercial and apartment buildings there. Shanghai has 3 million skilled workers, 100,000 technicians and 200,000 managerial staff, more than any other area in China. [Text] [Beijing XINHUA in English 1126 GMT 30 Oct 85 OW]

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CSO: 4020/67

SPECIAL ECONOMIC ZONES

SHENZHEN ABSORBS 700 MILLION IN FOREIGN CAPITAL

HK280749 Hong Kong XINHUA Hong Kong Service in Chinese 1232 GMT 24 Oct 85

[Report by reporter Chan Ming [7115 6900]: "Shenzhen Has Absorbed More Than \$700 Million of Foreign Capital"]

[Text] Beijing 24 Oct (XINHUA)--Shenzhen, China's biggest Special Economic Zone (SEZ) and a window for opening up to the outside world has made new progress in economic and technological cooperation with foreign countries. In the first 9 months of 1985, 801 contracts were signed with foreign businessmen on various economic projects and the volume of investment negotiated was more than \$787 million, a 111.8 percent increase over the same period in 1984.

Li Hao [2621 3493] Guangdong vice governor and currently mayor of Shenzhen disclosed the above in an interview with a XINHUA reporter in Shenzhen. He said the actual volume of foreign investment was more than \$240 million, up by 93.8 percent over the same period in 1984.

According to Li Hao, the main effect in the Shenzhen SEZ the employment of foreign capital this year, is a rapid growth in industrial investment which accounts for a large proportion of the total investment. Foreign capital invested in industry amounts to more than \$534 million.

In foreign trade and export, Shenzhen has brought into full play the advantages of being a close neighbor to Hong Kong and Macao in organizing export through diversified channels. The volume of export has grown rapidly. Of its export commodities, the proportion of industrial products increased to 80 percent in 1984 from 12.8 percent before the SEZ was set up.

Shenzhen has now established relations of economic and technological cooperation with the industrial and commercial centers of more than 50 countries and regions in the world. These include the United States, Japan, the United Kingdom, Italy, Sweden, FRG, and Australia.

According to Li Hao, capital construction in the [word indistinct] has also taken big strides to meet the needs of economic development. By the end of the first half of 1985, capital construction involving a total of more than 5.1 billion yuan in investment had been completed, providing floorspace of more than 7 million square meters. A number of industrial workshops, commercial centers, and residential buildings have been built, with 34 buildings of over 18 stories completed and put to use. Another batch of projects is under construction.

The mayor said that at present, 4 industrial districts have been established in Shenzhen SEZ, and 10 tourist areas have been built, each with its own characteristics. A good investment environment is beginning to take shape in an area of 32 square kilometers in Luohu and Shangbu. Projects for power, water and gas supplies; telecommunications; and the construction of roads, sewage, and land-levelling are practically completed in this area.

In communications and transportation, Shenzhen is taking a firm grasp on the transformation of the Shenzhen railway station and the Guangzhou-Shenzhen electric train double-line project. When the project is completed, the annual volume of passengers will rise to over 36 million from the present 10 million. A highway transportation network connecting Hong Kong with the hinterland has been formed. The city has now 10 wharves of varied capacities, and three berths for 10,000-ton freighters. Its maritime transportation is connected with more than 20 port cities along the Chinese coast, and various countries in Southeast Asia. Telecommunications and civil aviation have also made fast progress.

Li Hao stresses that Shenzhen welcomes banking, trade and industrial groups from various countries and regions of the world to carry out extensive economic and technological cooperation in the SEZ. He says that in the next 5 years, Shenzhen will focus on developing electronics, lasers fiber optic telecommunications, biological engineering, and projects such as docks, airports, and telecommunications. Foreign entrepreneurs are welcome to invest in or run enterprises with monopoly capital in Shenzhen SEZ.

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CSO: 4006/213

LABOR AND WAGES

JIANGXI'S NI XIANCE SPEAKS ON WAGE REFORM

OW220417 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 21 Oct 85

[Excerpts] In his speech at a provincial meeting on 19 October on wage reform in enterprises, Governor Ni Xiance called for strengthening leadership over reform, painstakingly organizing it, and quickly carrying it out in the province, according to the plan of the party Central Committee and the State Council.

Comrade Ni Xiance pointed out: This year's wage reform in enterprises is only the beginning of reform of the wage system as a whole. The current main tasks are to simplify the wage scales on the principles of distribution according to work, straighten out relations between different wage scales, and institute a new wage system for enterprise workers and staff members. This is aimed at getting rid of egalitarianism, which has long been practiced in the wage system, and laying a sound foundation for instituting an enterprise wage system with Chinese characteristics. The wage reform in enterprises is different from that in government departments and institutions, and the former is to be separated from the latter. The wage system in an enterprise is to be related to the economic performance of the enterprise and the personal performance of its workers and staff members.

In conclusion, Comrade Ni Xiance stressed: The key to effectively carrying out wage reform in enterprises is to strengthen leadership in this regard, give wide publicity to reform, painstakingly organize, and conscientiously implement it.

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CSO: 4006/211

TRANSPORTATION

ACCELERATING DEVELOPMENT OF CHINA'S HIGHWAYS DISCUSSED

Beijing GONGLU [HIGHWAYS] in Chinese No 6, 25 Jun 85 pp 2-5

[Article by Ministry of Communications, dated March 1985: "Views on Certain Questions Concerning Accelerating Development of Highway Communications"]

[Text] In spite of the tremendous progress made in highway communications since the founding of new China, a considerable gap still remains as compared with the needs of developing a commodity economy at present and the step-by-step realization of the strategic goal put forth by the 12th CPC Congress of quadrupling the nation's gross value of industrial and agricultural production by the turn of the century. Highway communication is still a prominent weak link that affects commodity circulation and the people's travel, restricts development of the commodity economy and aggravates the strain on highway communications. If this situation is not quickly reversed, it is bound to hold back national economic development as a whole. Accelerating the development of highway communications, therefore, is a task of great urgency at the moment.

The CPC Central Committee and the State Council have attached great importance to the development of highway communications. Comrades at the central level have pointed out time and again the necessity of readjusting the transport structure and raising the proportion of highway transport. At the end of 1984, Premier Zhao personally presided over the regular meeting of the State Council to discuss specifically the issue of accelerating highway construction. As a result, an unprecedentedly fine situation emerged in highway construction and motor transport. To consolidate and develop this fine situation and further advance highway communications to better cope with the needs of national economic development, we would like to submit herewith the following views on certain questions about accelerating the development of highway communications:

1. It is necessary to have a long-term strategic goal and plan for accelerating the development of highway communications. National planning for highway communications is identical with national economic development and the readjustment of the communications and transport structures as a whole; the local highway communications plans should be brought into line with the overall economic construction plans in various localities.

The principle of integrating renovation and construction of new highways, with renovation as the key factor, should be implemented in highway construction and enforced nationwide with the economically developed regions as the key points, and radiating from large and small economic centers to other places, and from the coastal regions to the hinterland. We should change the long-existing tendency of emphasizing only operating mileage but neglecting the quality of roads. The construction of highways must be in strict compliance with technical grade standards, highways that fail to meet the established standards should not open to traffic. Expressways or grade-one highways must be equipped with certain heavy-tonnage trucks and a containerized transport system.

According to the initial tentative plan, by the turn of this century, the national highway situation should basically cope with the increase in traffic volume, total highway mileage should reach 1.2 million to 1.3 million km, certain highway communications centers should be formed nationally, based on economic zones. All state main highways will be linked and reach grade-three technical standard or above to make motor vehicles basically accessible to villages and townships throughout the country and other highways at county or higher level will be operable rain or shine. In the meantime, a passenger and freight transportation system should be set up with the state transport enterprises as the backbones and with the participation of various economic sectors. It should be a system that is rationally planned, furnished with advanced equipment and fully equipped stations and freight yards, has quick access to information and is capable of offering good services. It should make travel convenient for people and streamline goods circulation so as to become a good vanguard in social and economic development.

During the Seventh 5-Year Plan period, 1,500 km of damaged sections of the principal main lines will be repaired and linked. Technical renovation will be carried out systematically on highways used for shipment of materials from energy bases to other parts of the country, on highways linking distant ports, on highways in open port cities and SEZ's, on highways in "bottleneck" railway sections and on highways passing in and out of large and medium cities. Several expressways and grade-one highways will also be built. Highways registering a daily traffic volume of more than 5,000 vehicles at various times will be renovated into grade-one highways; those with a daily traffic volume of 2,000 vehicles at various times will be revamped into grade-two highways. Divided highways may be constructed in some highway sections. Various provinces, autonomous regions and municipalities directly under the central authorities should each renovate one or two highways annually in a planned manner based on increases in traffic volumes; highway construction in poor areas should be accelerated; more than 60,000 km of county and rural highways should be built and efforts should be made to bring about substantial changes in the backward state of highway communications in poor areas within the next 5 years. The total highway mileage nationwide is expected to reach 1 million km by 1990. Vigorous efforts should be made to raise the level of modernization in highway transportation, develop a transport industry composed of varied economic components, promote through transport

and containerized transport, improve conditions for passenger transportation, raise the repair and construction capacity of the highway industry and the technical level of highways so as to lay a solid foundation for invigorating the economy in the next 10 years.

Early-stage work should be done effectively and in a practical manner for those construction projects under the Seventh 5-Year Plan. Project proposals and letters on the designing and planning tasks should be submitted based on the results of investigation and study and carried out in strict adherence to the procedures for examination and approval required of capital construction. Projects should be organized in proper order in accordance with economic development and the increase in traffic volume and according to possibilities in relation to actual conditions and in order of importance and urgency.

2. To realize the highway development project under the Seventh 5-Year Plan, it is imperative to mobilize the positive factors from all sides, open up different channels and raise money in every possible way. This is an important way to accelerate highway development in our country.

The practice of having civilian laborers participate in public projects should be continued. By letting the projects be operated by the people and subsidized by the state, less money will be spent and more roads will be built. Surplus rural labor forces should be fully utilized in the construction of highway infrastructures. County and rural highways in poor areas should be constructed by making full use of the materials the state has kept in stock and by providing work as a form of relief.

Governments at all levels, industrial and mining enterprises, rural villages and small towns, joint households and individuals should be encouraged to raise money for road and bridge building. To those units and individuals who donated money for bridge building, an upright stone tablet may be erected to remember them or their names may be included in the local highway communications annals. In localities where conditions are ready, construction funds may be repaid by taking advantage of local resources and by following the compensatory trade formula.

Under the principle of equality and mutual benefits, highway construction may be carried out by actively taking advantage of domestic and foreign low-interest loans or in the form of joint ventures.

The standards for highway toll collection should be adequately raised; as a rule the fees to be collected should be calculated at the rate of 10 to 12 percent based on the total amount of operating receipts while the maximum rate may be set as high as 15 percent. The portion of rate so raised will be earmarked as special funds for highway construction and renovation.

Major communications structures, such as expressways, bridges and tunnels built with funds raised or loans negotiated, may collect highway or bridge tolls from passing vehicles.

3. Road tolls should be levied, managed and used effectively in a practical way. Tolls can only be levied by highway administrations, no other departments are allowed to make collections. The use of road tolls must be in strict adherence to the principle of special funds for special use. Above all, the need of highway maintenance must be ensured and funding for road maintenance should account for approximately 80 percent of total expenditures. As traffic volume and the price of materials and wages rise, the annual investment in terms of kilometers should also be increased correspondingly for minor repairs and maintenance to ensure actual needs. Priority arrangements should be made for projects requiring major and intermediate repairs. Flood-damaged projects should be repaired and restored expeditiously. If funds are hard to come by in the current year, these projects may be postponed until the next year, but they should not be dragged on too long. No departments, units or individuals are allowed to misappropriate or borrow from road tolls. The leadership of communications and highway administrations at all levels should make checks and take the lead in implementing stipulations. All expenditures exceeding the prescribed scope of use are violations of financial and economic discipline and funds thus misused should be recovered in full and disciplinary action should be taken commensurate with the seriousness of the offense. Practical steps should be taken to strengthen budgetary and final accounting control over road tolls and to set up and consolidate the budgetary and final accounting system for them. Highway administrations at all levels must constantly review experiences, improve management and optimally utilize such funds. Road tolls paid by tractors may be collected by the counties themselves and used for their own county and rural road construction, maintenance and improvements. However, they must submit plans for their receipts and expenditures to higher level highway administrations for the record and must accept their guidance and supervision.

4. Conscientious efforts should be made to implement the "Circular on Helping Poor Areas to Transform Their Appearance As Soon As Possible" issued by the CPC Central Committee and the State Council, manage and use well the grain, cotton, cloth and special funds provided by the state in helping poor areas build county and rural highways and do a good job in mobilization, propaganda and organization in this endeavor. All these goods and materials must be used genuinely in county and rural highway construction; they cannot be used as goods for relief to be distributed equally and gratuitously on the basis of population; they can only be allocated according to the amount of labor put in, the mileage of roads built and the quality of the work done and in a manner rewarding those who work more and better.

Highway communications departments should draw up overall plans for county and rural highway construction in the poor areas and implement them in a planned, systematic and organized way. Priority should be given first to those much-needed new projects in areas where there is no road or very few roads and also to those projects that need to be revamped to streamline traffic on opened roads which have seriously hampered the transportation of goods and materials. The technical standards of county and rural

highways should also be made in properly protecting roadbeds, drainage of bridge culverts, road signs and other installation systems so as to gradually eliminate substandard roads, unsafe bridges and ferries and certain highway sections that are operable on sunny days but difficult to negotiate in rain.

In constructing county and rural highways, it is necessary to guard against the tendency of pursuing only quantity but neglecting quality and safety and of rushing headlong into mass action. Work should be done according to the established procedures for capital construction; construction should be carried out in adherence to the standards of construction and rules of operations. Projects once completed should be examined carefully before acceptance and road sections that do not meet standards and requirements should be rebuilt or repaired so that they will be brought up to the required standards for opening them to traffic, maintaining them, and giving full value for the grain, cotton and cloth invested by the state in highway construction.

Communications departments of various provinces, municipalities (prefectures and autonomous prefectures) should strengthen leadership over county and rural highway construction as a manner of providing work as a form of relief and by regularly dispatching personnel to the fields to inspect, supervise and help solve specific problems which crop up in the course of construction.

5. Highway transportation enterprises and departments in charge of highway surveying and designing, construction and maintenance should do away with egalitarianism, further consolidate and perfect various output-related economic responsibility systems as the leading factor.

Highway transportation enterprises may implement various forms of economic responsibility system based on different situations. They may contract the stations and trucking convoys out to collectives who will take over the operations; they may also contract out vehicles and small stations or lease them to individuals to take over the operations. A fixed-quota profit-delivery measure may be applied for vehicles or small stations contracted out or leased to individuals with the portion in excess of the fixed quota to be assessed on a percentage basis in relation to the excess proportion.

Survey and design units should be managed like enterprises and undertake tasks in general in the form of signed contracts and collect fees for surveying and designing according to the standards set by the state. A contract responsibility system of inviting tenders should be implemented in highway construction in order to bring about a change in the method of distributing construction tasks by administrative means which was prevalent over the years and encourage units in charge of construction to compete. Enterprises in charge of construction may implement the output-related responsibility system with emphasis on ensuring engineering quality and construction deadlines, lowering cost and raising economic results by introducing a set of measures such as ensuring the wage contents in output value per 100 yuan. After putting the contract system into

effect, survey and design departments and departments in charge of construction must strengthen inspection of quality and supervision. Highway maintenance may be contracted out to highway maintenance squads, individuals or families of workers and staff members, it may also be contracted out to villages and towns along the highways, small town enterprises or peasants.

For quite some time to come, no more new state enterprises in charge of construction will be established and the use of manpower by the existing enterprises in charge of construction should be in the form of contracts. Except for replenishing the essential backbone technical and business personnel, no permanent workers will be recruited as a rule and the ratio of permanent workers will be reduced step by step. From now on, most road maintenance workers should be contract workers.

6. Highway transportation should involve the participation of numerous units. Various departments, professions and trades and areas should be encouraged to work together. The state, collectives and individuals should work together by pooling various means of transportation so as to mobilize the enthusiasm of various quarters for running transportation. Multichannel, multilevel economic components in varied forms and different forms of diversified undertakings should be allowed to coexist. Competition should be permitted and encouraged so as to let all those engaged in transportation work operate independently within the framework prescribed by pertinent state policies and let the consumers have a direct choice in transport services, so that superior services will win out and inferior services will be eliminated through competition. Transport enterprises, state, collective or individually operated, may accept cargo shipments any place and the owners of cargo may consign shipment to any one they prefer. No areas, departments or individuals are permitted to set up barriers under any pretext to monopolize passenger and cargo transportation nor are they permitted to set up road blocks at different levels, collect fees and impose fines indiscriminately.

Highway transportation enterprises must render good services, overcome the workstyle of running "government-supervised and merchant-managed" business and single-minded management ideology, gear themselves to the needs of society and develop the realm of service. Various efforts should be made to develop rural short-distance transportation and run passenger transportation between districts and villages, regular bus service with overnight stops in the countryside, highway-railway through-transportation service and regular trucking service for shipment of cargo in small quantities. Steps must also be taken to add direct-route express bus service between cities, develop containerized transportation and go a step further in developing highway-railway transportation in a rational way together with transregional and transprovincial through-transportation services. State transport enterprises of all categories should gradually make accessible to outsiders such communications facilities as motor vehicle stops, filling stations, freight yards, maintenance yards (stations) and inspection stations to service all vehicles belonging to the public

at a reasonable fee and by improving the efficiency of utilization. They should also expand their scope of services by diversifying other undertakings while keeping their main line of duties intact. They should develop coordinated services by providing food, lodging and transport services for the convenience of both owners of cargo and passengers. They should also offer coordinated services in relation to production, transportation and marketing.

Collectively owned enterprises should give full play to their characteristics of flexible operations and endeavor to invigorate the enterprises. Communications departments at all levels should actively encourage, support and assist in their development. Enterprises that are operating at a loss over a long time and cannot go on may turn over their means of transportation to individuals for operation at a price. Enterprises short in funds should raise money from among individuals and make them shareholders and share out yearend dividends based on the number of shares they are holding.

Energetic support should be given to individually operated transport enterprises by supporting their legitimate rights and interests. Any act of exclusion and discrimination against them is absolutely prohibited. Specific assistance should be extended to households specialized in transportation in the areas of vehicle maintenance, training of drivers, economic information, organization of supply of goods and in operations and management. Education on safety and adherence to regulations and discipline should also be strengthened among them so as to help them develop healthily. Individually operated transport enterprises should be supported and encouraged to integrate with others or operate with others jointly.

Both collectively owned and individually operated enterprises may organize trade associations or federations which will serve as a link among themselves in carrying out ideological education, exchanging information and keeping each other informed.

7. Communications departments at all levels must strengthen the administration of highway communications in a practical way and must gradually bring about two changes: a) changing from keeping a firm hold on directly subordinate enterprises to gearing toward the needs of the communications and transportation trade as a whole, and from making overall planning and arrangement for the development of communications in the macroeconomic sphere to strengthening management and guidance over the entire communications and transportation trade; b) changing from keeping a direct firm hold on enterprises and their production in doing a good job in administration. It is necessary to separate the responsibilities between the government and enterprises, simplify administration and delegate power so that they can truly become institutions for exercising the government functions. The management functions of communications departments at all levels will no longer be confined only to directly commanding the enterprises' daily routine activities in production and operations but should concentrate their efforts on better administration of professions and

trades and on giving full scope to their roles in overall planning, coordination, services and supervision. Their main responsibilities are: study, formulation or implementation of the general and specific policies governing communications and transportation in an organized manner; putting forward plans and tentative plans for development before the turn of this century; offering advice and guidance to enterprises on operational and management matters; harmonizing relations between regions and enterprises; developing various forms of economic integration; effectively disseminating economic information; assisting in training qualified personnel; promoting scientific and technical progress; and studying and supervising and doing a good job in organizing and leading important construction projects.

In administering highway transportation, it is imperative to bring into line various forms of transportation and transport enterprises under varied forms of ownership within the administrative scope of communications departments and look upon services to the broad masses of consumers, passengers and transport operators, the protection of their legitimate rights and interests, the guaranteeing of state financial revenue and taxation and the development of highway transportation as the point of departure for highway transportation administration. As to the administration of cargo transportation at present, it is imperative to get a firm hold on the control of trip tickets and invoices. All vehicles engaged in cargo transport should use trip tickets standardized by the communications departments of provinces, autonomous regions and directly subordinate municipalities. Transport of a business nature should use unified invoices. Other transport permits, operating permits and transprovincial transport permits issued by various localities on their own should be revoked. Efforts should be made to improve the methods of collecting transport administration fees. With the exception of operators permanently stationed in other places, as a rule fees should be collected by the localities where the vehicles are registered. Operating lines for highway passenger transport must be approved by communications departments above the county and municipal levels. Regular passenger transport services must be based on fixed lines, fixed points and fixed schedules. Highway administrations should keep highway facilities in good condition and ensure uninterrupted highway passage by consistently implementing the State Council's "Circular on Strengthening Road Administration And Ensuring Highway Safety and Uninterrupted Traffic." Steps must be taken to tighten traffic supervision and safety control, consolidate the flow of traffic, broadly publicize and teach traffic law, exercise unified control over traffic safety of all motor-driven and non-motor-driven means of transportation operating on the highways and also the safety of pedestrians. Steps must also be taken to closely coordinate with other departments concerned and mobilize forces from society in bringing both pedestrians and vehicles under comprehensive control. Drivers and maintenance crews must be taught to strictly abide by traffic safety operating procedures and examine and evaluate the technical skills of drivers carefully so as to ensure the safety of people's lives and property. Supervisory personnel must enforce the law impartially and be honest in performing their official duties and serve the people wholeheartedly. Transportation, road administration and

supervisory departments at all levels should improve their work under the leadership of local communications departments and accept guidance from operational departments at a higher level. Transportation, road administration and supervisory departments must actively create conditions and gradually achieve a form of management in an unified and organized way so as to help simplify personnel and procedures for the convenience of the people and raise efficiency and improve administration.

8. Highway communications departments at all levels, other enterprises concerned, institutes of higher learning, and scientific research and designing units must energetically promote technical progress in highway communications and intellectual development for the purpose of accelerating the development of highway communications. In areas dealing with highway projects, motorized transportation and industrial production, new equipment, new technological processes and new materials must be actively used so as to speed up the importing of advanced technology from abroad and gradually set up electronic computer systems for practical use. Renewal and renovation of motor vehicles should be accelerated and the proportion of light vehicles, heavy vehicles, passenger cars, special cars and diesel cars should be raised; new techniques dealing with motor vehicles repairs, maintenance, inspection and tests should be developed. The level of surveys for highway construction and inspection should be improved. The study and application of bridge structures with large span frames, new materials and new technology should be pursued. Advanced technology for mechanized construction of roadbeds, road surfaces, bridges and tunnels should be adopted. The level of mechanized construction and scientific management should be raised step by step in the construction of large and medium highway projects. Expressways and grade-one highways must be equipped with advanced traffic safety control facilities and traffic monitoring, communications, rescue and service systems. Attention should be paid to scientific maintenance of highways and to gradually setting up systems of highway administration, maintenance and information. Small multiple-purpose road-surfacing machinery should be developed and importance should be given to the study of highway traffic economy and management.

Various efforts should be made to strengthen highway scientific research institutions, create conditions and set up highway technical and economic research centers and scientific and technological development centers under the ministry and at the provincial level. Energetic efforts should be made to build data banks to serve highway construction and transport management and the information network so as to enhance information work.

We must have respect for knowledge and qualified personnel and give full play to intellectuals. The training of highway traffic personnel and qualified personnel in existing universities, intermediate and vocational schools and various types of specialized colleges and institutes should be stepped up. Steps should also be taken to train cadres and workers on active duty in a planned way so as to raise the educational level and the technical quality of the contingent of workers and staff members handling highway traffic through varied channels and by different means of intellectual development and personnel training.

TRANSPORTATION

IMPORTANCE OF HIGHWAY CONSTRUCTION TO HUBEI ECONOMY DISCUSSED

Beijing GONGLU [HIGHWAYS] in Chinese No 6, 25 Jun 85 pp 6-7

[Article by Yi Shisong [2496 6108 2646] of the Policy Research Office of Hubei Communications Department: "To Make the Economy Soar, Communications Must Lead the Way--The Trend of Development of Highway Construction in Hubei and Its Characteristics"]

[Text] Propelled by the restructuring of the urban and rural economic system and the transformation toward large-scale commodity economy in the rural areas, a vigorous upsurge of highway construction marked by tremendous intensity, speed, large scope and scale, high standards and good efficiency has been surging ahead in various parts of Hubei since last winter. This is unprecedented in the annals of highway construction in Hubei. It is also the third high tide of mass highway construction that has hit the entire province since the founding of new China. According to statistics, by mid-February, the whole province has put in more than 480,000 people in highway construction together with more than 40 million workdays completing 60 million cubic meters of earth and stone work. Of the more than 9,000 km of highways completed and now under renovation, more than 1,000 km are main lines, more than 5,000 km are branch lines and nearly 3,000 km are district and rural highways. The national highway from Wuhan to Mengjialou of Laohekou City measured 440 km, of which the roadbeds of nearly 400 km have been widened to 18 to 20 m. The people summed up this excellent situation in highway construction as "three happenings never seen before," namely, there had never been so many people engaged in highway construction, there had never been highways of great width built before and there had never been so much concerted effort devoted to highway construction before.

The highway construction upsurge that was whipped up during the 1980's has the flavor of the era and conspicuous new characteristics:

1. Highway construction was planned comprehensively from the high plane of strategic targets. Proceeding from the high plane of developing the commodity economy and quadrupling the gross industrial and agricultural output value, the party and government leadership at all levels has profoundly recognized the importance and urgency of swiftly changing the backward state of highway communications, especially the suffering of the poor area where communications facilities are lacking. The leadership of

various prefectures, municipalities and counties has done away with the mental shackles of cadres who are content with growing grain, cotton and oil-bearing crops, together with the small peasant mentality, and they are now looking upon developing highway communications as the key to curing poverty and getting rich. Some new leaders as soon as they assume office produce blueprints for highway construction as one of their administrative programs; some others pledge to build roads for the benefit of future generations so that they could die content and leave office without regret. Many localities have suggested that "to make the economy soar, communications must lead the way," and that "for the mountainous areas to double their output, highways must reach the mountainous areas." With highway communications now gaining more importance, four noticeable changes have taken place, namely, changing from leadership taking command but taking no action as in the past, to leadership taking command and also going out to battle; changing from "I am under order to build it as in the past, to I want to built it"; changing from widening and revamping both sides of the highway by following the curves in the past, to competing to build smoother, straighter and wider highways"; and changing from digging up highways to expand farmland acreage in the past, to vigorously renovating and widening highways.

2. Changing the traditional method of concentrating on one thing only. In highway construction, the more economically developed areas are being used as the key points to radiate outward from large and small economic centers and to bring it into line with the network or construction under the overall planning. At present, gongs and drums are being sounded simultaneously to drum up activities in four areas: renovating the main highways, expanding and widening township roads, extending inter-provincial highways for the transit of goods, and building district and rural highways. In the meantime, unified management is being done by coordinating the work in these four areas: intermediate and long-term planning, township construction, division between farmland expansion and highway construction and development of agriculture and forestry. For instance, the road construction standards under certain prefectural and municipal planning set the width of roads and highways as follows: city roads 40 to 60 m, inter-provincial 18 to 24 m, main highways 15 to 20 m, county and city highways 10 to 12 m and district and rural highways 8 to 10 m. Of the 925 km of highways expanded and renovated in Zaoyang County, 50 percent have reached grade-two standard, in addition, from 4 to 6 rows of trees have been planted on both sides of the highway totaling more than 1 million trees.

3. Changing the sole method of investing in highway construction. Highway construction is shifting from communications departments making the investment to raising funds by the public. The channel of raising funds in many different ways has become more and more streamlined--with the people doing the fund raising, departments concerned pooling the funds together, localities making allocations, the banks extending loans and the state subsidizing--and by proving work as a form of relief and by furnishing materials as a form of relief. This has injected life and vitality into large-scale highway construction. Since last winter and spring, more than

41 million yuan has been raised in the province for highway construction. In the Xianning area, 3,509,000 yuan was raised, of which, 158,000 yuan, or 4.5 percent, was from road toll subsidies; 148,000 yuan, or 4.2 percent, was from local financial revenue; 1.46 million yuan, or 41.6 percent, was investment made by other departments; 1.37 million yuan, or 39.1 percent, was from bank loans; and 373,000 yuan, or 10.6 percent was raised by the people themselves. In the meantime, more and more highways are being built in the hilly and mountainous areas in the form of providing work as a form of relief and furnishing materials as a form of relief. These methods have opened vast vistas.

New progress has been made by enlisting civilian workers to participate in work. Instead of depending mainly on the peasants, people in society are also contributing in road construction. The party, government, the military, the people and students have also pitched into the high tide of road construction with principal leaders at all levels taking the lead in offering labor service. The people's highways should be constructed by the people themselves. Those who are capable of physical labor should put in more effort and those who are incapable of physical labor should contribute money. Trucks, tractors, flatcars and animal-drawn vehicles should all be pooled. Laifeng County had designated January as the month for district and rural highway construction in the county.

4. The demands, support and enthusiasm and initiative of the masses for road construction have been higher than at any time in the past. As the rural commodity economy advances in giant strides, the broad masses of the people look upon highways seriously as the road to economic prosperity and riches. The people in the mountainous areas said: "Of all the hardships in the mountainous areas, the most important of all to be solved is the hardship in communications. Roads once opened to traffic will bring in wealth." Accelerating highway construction is the objective demand and motivating force for the peasants to step out of the rural areas and gear themselves toward the needs of the market. As a result, there has been a breakthrough in changing the "four longstanding difficulties," namely, difficulty in taking over land for road construction, difficulty in dismantling and relocating houses, difficulty in having civilian workers engage in labor and difficulty for the people to raise money. Moreover, a new situation has replaced that in which land was taken over without paying, houses were dismantled and relocated with little compensation, there was no remuneration for labor, and money was raised through public donation. The prevailing situation now is that roads will be constructed between spots where the red line is drawn for highway construction, houses will be dismantled and relocated as designated and the tasks will be fulfilled as assigned. In Xishui County, two highways, the Xishui-Tuanpo highway and the Bahe-Maqiao highway, totaling 40 km in length have been renovated. These projects involved six districts and two townships and more than 4,600 m³ of buildings that had to be dismantled and relocated. The dismantling and relocation took 7 days at a speed inconceivable in the past. The people said: "To effectively build a road to enrich the people, we are willing to part with not only our pots

and pans but also our old dens. We don't even have to think too much about the many houses our forefathers once lived in."

5. The output-related responsibility system whose effectiveness has been proven in the rural areas is taking root and blossoming in highway construction and giving impetus to highway construction. Numerous places have implemented the contract and output-related responsibility systems with the county, district and village leadership taking charge of the lines and sections to make sure that the mileage, quality, the construction deadline, fund subsidies, safety and other requirements are met. The leadership is also working with the ministry in dealing with assessment, bonuses and wages. The construction tasks are assigned to villages, teams and households and they are subject to award or penalty as appropriate. Some county magistrates have personally signed contracts with heads of districts and towns and directors of communications departments and highway sections for highway construction.

The road construction fever whipped up during the 1980's is the natural product of implementation of the line and the general and specific policies laid down since the 3d Plenum of the 11th CPC Central Committee and the inevitable tendency of the development of industrial and agricultural production and the development of the forces of production in society in a big way. It is also the natural outcome of the restructuring of the urban and rural economic system.

First, by eliminating leftist ideas and old customs and through party consolidation and the implementation of several Documents No 1 of the CPC Central Committee, the pace of national economic construction has been stepped up and the position and role of highway communications have become more prominent than ever. The 12th CPC Congress has looked upon communications as a strategic focal point in our country's economic development. Proceeding from the high plane of strategic development, the local leadership at all levels has earmarked highway construction as a pioneering step to overcome the weak links in communications and to make the economy soar. Leading comrades of the CPC Central Committee who visited Hubei twice last year on inspection tours all stressed the importance and significance of developing communications for the inspiration of the broad masses of cadres and the people.

Second, it is the natural product of objective economic law. With the vigorous development of the commodity economy, rural and small town industries and various specialized households have also risen at the historic moment in the vast countryside; industrial and agricultural production has increased continually and the supply of commodities in society has risen sharply. As a result, the channel of commodity circulation has to be unclogged so as to streamline the flow of goods to cope with development. The supply of highly effective and fine-quality technology-intensive commodities at the moment has provided a solid material basis for developing highway communications in a big way.

Third, it is the objective demand for readjusting the industrial structure. After seeing themselves having enough to eat and wear, the broad masses

of the people in the rural areas urgently aspire to break through the traditional concept of self-sufficiency and remaining complacent and conservative and to free themselves from the shackles of the natural economy that lacked competition and the spirit of blazing new trails so as to develop production both in magnitude and depth. There will be more and more developmental enterprises, such as those engaged in small-scale mining, building materials, forestry, native and specialty products and commodity transportation and sales and rural and small town industries and other service trades, to take care of details before and after production. "To get rich, roads must be built first." For instance, Li Xiushi [2621 0203 4258], a specialized household in Wenyu Village of Zhushan County, obtained a loan of 15,000 yuan and borrowed another 2,000 yuan to build a 4-km long road specifically for coal transportation so that the coal extracted could be sold at the mine directly. This has raised economic results. Another example, Liang Zhiruo [2733 1807 5387], a household specialized in raising chickens in Baojishan brigade of Yuguan District in Wefeng County, raised 4,000 by himself and received another 1,000 yuan in financial subsidies last year to expand his production. He built a 1.5 km highway so that motor vehicles could stop at his doorstep. This has increased his income. "With highways open to traffic, all trades will prosper," this is what the people said in summing up their practices in production. It also represents the inherent motive force that spurred them to engage in road construction with initiative and purpose. They are willing to part with their land, dismantle their houses, raise money in more than one way and engage in labor with initiative.

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HONG KONG MEDIA ON CHINA

PRC OFFICIALS, BOEING DISCUSSING JOINT ASSEMBLY

HK190334 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English
19 Oct 85 p 1

[Text] The Boeing Airplane Co of the United States is now holding talks with the Chinese authorities that may result in cooperative efforts between them involving the assembly of aircraft.

This was disclosed yesterday by Boeing's executive Vice President, Mr Joseph Sutter.

Boeing recently granted China what Mr Sutter described as a "fairly large" contract for the building of tail vertical fins for B-747-200 and B-747-300 aircraft. However, he declined to reveal the value of the contract.

He said China was now in the tooling stage to carry out the production process at its Xian facility.

Boeing has sent personnel to assist the Chinese and Mr Sutter expects the first delivery to be made in 1986.

Boeing views China as a potentially very interesting market. "If you look at their needs and where they are starting from, China could be a market easily for 100 to 200 aircraft of all types," Mr Sutter said.

Mr Clair Whitney, Boeing's regional director for international sales, Northern Asia, said that China was their primary target for B-737-300, one of the company's best-selling aircraft.

Mr Sutter said Boeing had already sold "quite a few" of this aircraft to them. In addition, it has recently delivered B-767-200 while several others are on order.

Boeing is among the world's major commercial aircraft manufacturers competing vigorously to secure orders from Asian carriers.

Mr Whitney said Boeing's first sale of its B-747-400, a new version of the B-747-300 with long range and greater fuel efficiency, may take place in a week or two.

He declined to reveal the customer and how many aircraft are involved.

Mr. Sutter said the likely candidates in this region for the B-747-400 are Qantas, Singapore Airlines and Japan Airlines [JAL].

He said this aircraft was suitable for these long-haul operators and that Boeing had held lengthy discussions with them.

"We believe that the Asia Pacific Rim, which is growing very rapidly in terms of air transport, is one part of the world where the B-747-400 would be of interest," he said.

Mr Whitney also disclosed that they had approached Cathay Pacific Airways who has shown interest in the aircraft.

"They will certainly not be going to order soon, but the characteristics of this (B-747-400) aircraft are very much of interest to Cathay Pacific," he said.

Asked whether the JAL crash last August had affected Boeing sales, Mr Sutter said the tragic accident had not diminished confidence in the airworthiness of the aircraft.

He revealed that Boeing had agreed to share in the cost of compensating the crash victims--possibly on a 50:50 basis.

He added that a lot of investigative work was being conducted by the Japanese authorities into the accident and Boeing's participation was limited only through the National Safety Transportation Board.

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CSO: 4020/68

HONG KONG MEDIA ON CHINA

SHENZHEN JOINT VENTURE TELEPHONE AGREEMENT HITS SNAGS

HK300601 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS SUPPLEMENT) in English 30 Oct 85 p 5

[By Paul Baran]

[Text] China Telecom Systems [CTS] (HK) Ltd's joint venture agreement with the Shenzhen authorities to develop a cellular telephone network in the zone has run into snags.

CTS General Manager Peter Hutton said yesterday the deal has been put on hold until Beijing decides which frequency to use for the system. "We use one (frequency) in Hong Kong, and they might want to use another," Mr Hutton said. "Using a third remains a possibility."

Until the frequency problem is solved, Mr Hutton said CTS's year-old plan to set up a similar service along the Hong Kong to Guangzhou highway and in the provincial capital itself is also on ice.

Cellular radio provides uncrowded radio channels for the portable telephone user through computerised frequency switching.

CTS had been negotiating with the Guangdong Posts and Telecommunications Bureau over the highway radio proposal.

The company had hoped by now to have completed a feasibility study on the proposal, with an aim to install the Guangzhou system by the end of this year.

Mr Hutton said Beijing--which after years of neglect has made the upgrading of telecommunications a high priority--is now facing tough decisions on frequencies.

Now that the officials have decided the radio spectrum "is part of the national resources," he said, they have had to come up with regulations governing the bands available.

CTS is a joint venture among Beijing-backed China Resources Ltd, Onwel Electronics, U.S.-based Millicom and Comvik, a Swedish communications company.

Other locally-based communications companies aiming at the potentially lucrative China Market are Hutchison Radio Telephone and Communications Services Ltd, a subsidiary of Hong Kong Telephone Co Ltd.

These firms are also facing competition from American and Canadian telecommunications firms, many of which have set up regional sales offices here.

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CSO: 4020/69

HONG KONG MEDIA ON CHINA

ECONOMISTS PREDICT YUAN WILL FALL FURTHER

HK300553 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 30 Oct 85 p 1

[By Olivia Sin]

[Text] As China devalued its currency to a record low yesterday economists said the value of the yuan is expected to drop further.

China's State Administration of Exchange Control [SAEC] yesterday fixed the yuan's exchange rate against the U.S. dollar at 3.1744-3.1904.

The new rate--40.7 yuan to HK\$100--is about 27 per cent from 2 years ago.

According to economists, the devaluation is part of China's plan to emphasise market forces in determining the value of its currency.

The value of the yuan, a non-convertible currency, is artificially set by the SAEC.

Economists believe the yuan has remained "overvalued" for several years and that its true value is, to a certain extent, reflected in its black market rate.

Some observers said yuan's devaluation will help China boost exports and curb imports to improve its dwindling foreign exchange reserves.

They said the move will also dampen the flourishing black market in yuan by narrowing the gap between the official and "underground" rates.

"The general feeling in the market is that the downward trend (of the yuan) will continue in the future," said one researcher specialising in the Chinese economy. He said market forces are now playing a more important role in determining the value of the yuan. Allowing the currency to devalue against international currencies is an important step in China's attempt to decentralise its rigid economic structure, he said.

China has launched reforms to adjust the prices of its goods and services to supply and demand.

While conceding that it is almost impossible to gauge the true value of the yuan, the researcher said some indication is provided by the black market rates. A few months ago, 100 yuan were worth HK\$65 to \$70 on the Guangdong black market. But traders and visitors to the province said the rate had gone down to about HK\$60 recently following Beijing's crackdown on the black market.

Nevertheless, economists believe illegal currency deals cannot be wiped out in China unless the yuan is allowed to float freely.

Although devaluing the yuan should theoretically boost China's exports, observers said a much bigger devaluation may be needed to bring about a significant export boost.

China recorded a poor export performance in the first half of this year, partly because of soft world demand and falling world commodity prices. Observers said increased domestic demand as well as the inferior quality of goods also affected exports. They said China will need to adopt measures to encourage exports, improve the quality of its exports and make a strong attempt to meet delivery dates.

The latest official trade figures suggest China's trade deficit continued to worsen in the first 9 months.

Imports totalled U.S.\$22.5 billion, up 67 per cent over the corresponding period last year. Exports topped U.S.\$18.1 billion, a light increase of 2.3 per cent over the same period last year.

The trade deficit, which stood at U.S.\$3.16 billion at the end of June, rose to \$4.4 billion at the end of September.

Chinese authorities said the yuan is valued against a basket of foreign currencies, the composition of which remains a secret. Observers believe the major currencies in the basket include the U.S. dollar, deutschemark, the Hong Kong dollar, pound sterling and the Japanese yen.

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CSO: 4020/64

HONG KONG MEDIA ON CHINA

FOREIGN CURRENCY MARKET PROPOSED FOR SHENZHEN

HK310637 Hong Kong HONG KONG STANDARD in English 31 Oct 85 p 3

[By Yau Shing-mu]

[Text] Shenzhen may soon have a currency market in which exchange rates need not be strictly pegged to official rates.

The proposal, which is awaiting approval from Beijing authorities, is aimed at attracting more foreign exchange into China and curbing a flourishing black market in currency exchange.

The chief spokesman of the city's municipal government, Mr Zou Erkang, told a delegation of the Hong Kong Journalists Association on Monday that the proposal would allow currencies to be quoted within a 30 percent range of the official rates.

Shenzhen authorities have tentatively called the centre the "Foreign Exchange Adjustment Centre."

Mr Zou did not elaborate on the working of the centre apart from the fact that rates may be allowed to float within a certain range of official rates.

"The centre is a (temporary) measure to crack down on the black market (on currency exchange) before a comprehensive mechanism is devised to regulate the flow of money (into China)," said Mr Zou.

"When the centre is opened, those who need foreign exchange can buy it there, although they have to pay more.

"On the other hand, those who need Raminbi may also exchange it for a higher rate there," added the spokesman for Shenzhen, which is one of the special economic zones in China in which market forces are allowed to operate.

In the past 2 years, Shenzhen has had a particularly active black market in currency exchange and the city's authorities hope that the centre will help curb the activities of the black marketeers.

The current official exchange rate for the U.S. dollar is 3.08 yuan, while the black-market rate is 5.6 yuan.

The Hong Kong dollar is officially pegged at 38.5 yuan for HK100 although the amount is double that--between 60 and 70 yuan--in the black market.

Another reason for the proposal for such a centre is to attract more foreign exchange into Shenzhen.

Mr Zou said foreign investors have indicated three reasons for being deterred from bringing in their money.

The first involves the inability to take out foreign exchange, although investors are allowed to bring in foreign currency.

Secondly, it is the freedom of the currency exchange. The present situation restricts the exchange of Reminbi for the foreign money and that is discouraging investors from making profits on the mainland.

Thirdly, the investors hope the exchange rates will float freely. At present, the Bank of China centralises the exchange and set the rates fix.

Mr Zou said the system in China was basically in conflict with the wishes of the investors. In order to lure foreign funds, the basic problems had to be ironed out.

The issuing of a convertible currency in the special economic zone, which was mooted by Shenzhen last year but was later put off sine die by the central authorities pending a more thorough study, is for that purpose.

In the meantime, they hoped the "readjustment centre" could relieve difficulties in foreign currency dealings.

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CSO: 4020/68

HONG KONG MEDIA ON CHINA

WEN WEI PO ENCOURAGES HONG KONG INVESTMENT IN CHINA

HK281001 Hong Kong WEN WEI PO in Chinese 22 Oct 85 p 2

[Editorial: "Hong Kong Businessmen Ought To Advance Boldly and Catch Up With the Tide of Opening Up to the World"]

[Text] In order to control the scale of capital construction and foreign exchange, the mainland authorities have recently issued orders on strictly controlling the import of luxurious consumer goods, household electric appliances, and cars. Meanwhile, Guangdong will also slow down the construction pace of luxurious guesthouses, amusement parks, and restaurants. In the past, businessmen had good prospects of gain in this field. Following the measures taken to control foreign exchange and capital construction, their businesses will inevitably be affected. Does this mean that there are no more prospects for doing business in China?

Hong Kong businessmen are well-known throughout the world for being quick-witted. Naturally, they will adapt themselves to the changes in the mainland and readjust their business principles and tactics, instead of following the beaten track. During the initial period of opening up to the outside world, it is true that there was a great demand for consumer goods and luxurious tourist facilities. However, if the mainland fails to enhance its capability of creating foreign exchange, it will be difficult to maintain the trend of purchasing consumer goods from abroad. Moreover, Guangdong's luxurious hotels, restaurants, and amusement parks have already reached saturation point. If the construction of these projects is not restricted and if Hong Kong businessmen are allowed to invest unchecked, it will only lead investors to a predicament of bitter competition. If the mainland authorities had not adopted readjustment measures, farsighted Hong Kong businessmen would also have tried to avoid those projects which have become more risky owing to market changes.

Instead of changing its open policy, China has decided to open the door wider to the outside world. There is now more scope to develop business and greater chances to make money. The question is whether Hong Kong businessmen can respond quickly and resolutely to the market changes and make appropriate investments in coordination with China's economic plan.

Guangdong has recently announced the opening up of 59 industrial satellite towns in the Zhujiang delta economic zone, in which preferential treatment

similar to that in coastal open cities will be given. This is a favorable opportunity for Hong Kong businessmen to lay a strategic basis for their businesses in the 1990's. Generally speaking, a number of industrially and commercially developed cities with convenient transport and communications are being set up along both banks of the Zhujiang extending from Guangzhou to Hong Kong. The distribution of these cities is somewhat like Los Angeles in the United States, in which division of work is properly arranged, the cities complement each other, and high efficiency is achieved. Consequently, U.S. Vice President Bush recently held that Guangzhou and the Zhujiang delta are zones that have developed rapidly and that deserve investment from U.S. businessmen.

Such widespread opening up requires huge investment and advanced technology as well as machines and equipment. Hong Kong businessmen now have a great opportunity to develop trade. For example, funds are needed for building telecommunications, highways, thermal power stations, and wharves. In recent years, a number of foreign firms and Hong Kong businessmen have taken the lead in investing in this field, demonstrating their exceptional insight.

Some people hold that there are no longer any business prospects in China as a result of the measures taken to control the import of consumer goods. In our opinion, just the opposite is true. These measures offer Hong Kong businessmen a greater opportunity to make money. The restriction imposed on the import of consumer goods does not mean that China does not need consumer goods. It provides the Hong Kong businessmen who are running factories in the mainland with a protective umbrella and a reliable investment environment to obtain profits. Large numbers of Hong Kong businessmen have been running factories in towns in the Zhujiang delta and have attained remarkable achievements. The task ahead is to develop a number of production bases for high class consumer goods in Zhujiang delta towns to replace the import of luxury consumer goods. Consequently, the small factories in Zhujiang delta towns will have to expand their productive forces and upgrade their technology. Similarly, Hong Kong businessmen will have a great deal of business to do in developing factory machines, technology and software, and auxiliary parts. As most of the products manufactured by these factories will be marketed abroad, it is still necessary to "import raw materials to support export." Hong Kong businessmen engaged in trade in raw materials should take this opportunity to seek clients as quickly as possible.

China's packaging industry is still backward and its farm and food products especially cannot meet overseas market needs. If Hong Kong businessmen are willing to invest in the printing and packaging industries, they will have a lot of business.

At present, the marketing of China's nonstaple foodstuffs to Hong Kong has already reached saturation point. In order to improve this situation efforts should be made to achieve better economic results in farming and animal husbandry, which requires technology and funds. Although there is a shortage of meat and vegetables in Singapore, Japan, and Southeast Asian countries, the quality of Guangdong's farm products is relatively inferior. Therefore, it is still difficult to promote our sales in these markets. The Zhujiang delta will become the largest farm in Asia if there are bright prospects for the development

of high quality vegetables and animal products. Now farsighted Hong Kong businessmen have started to invest in agricultural science and technology.

So long as wise Hong Kong businessmen advance along the tide of opening up, they will have plenty of scope to develop their businesses.

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CSO: 4006/210

HONG KONG MEDIA ON CHINA

CHINA WANTS 25 PERCENT DISCOUNT FOR DAYA BAY EQUIPMENT

HK280240 Hong Kong SOUTH CHINA MORNING POST in English 27 Oct 85 p 1, 8

[Text] China has been pressing for discounts of up to 25 per cent off the price of British and French equipment at the Daya Bay nuclear power plant, according to reports circulating in Beijing and Hong Kong yesterday.

GEC [General Electric Company] of Britain has been asked to cut its prices by 25 per cent and Framatome of France by 20 per cent, according to the reports.

Although the British negotiators have left Beijing with no firm result from this week's extended talks, the official view is still positive.

A British Embassy spokesman in Beijing told REUTERS: "There has been quite a lot of progress in this round of talks. Concessions have been made. The two sides are nearer on price than they were 2 weeks ago."

French and British sources in Beijing say there has been "a pause" in the negotiations between the Chinese and GEC.

Robert Thomson of the FINANCIAL TIMES reported from Beijing that a pause in Framatome's discussions also is a distinct possibility.

The important thing to remember, said British MP Sir Peter Blaker who is visiting Hong Kong, is that "one must be patient when negotiating with the Chinese."

Sir Peter, chairman of the British Hong Kong Parliamentary Group, said last night he would be surprised if this were the end of the negotiations.

"This is a big project. It's important for GEC and for Britain.

"If GEC were to get established at Daya Bay they might then be able to move on to contracts in other parts of the world. But there's no doubt GEC has to satisfy themselves that they have an acceptable contract. These negotiations have been going on a long time and maybe they'll have to go a bit longer before a conclusion is reached."

The FINANCIAL TIMES reported that sources in Beijing had confirmed that the Chinese had brought up the possibility of their negotiating with other companies to supply equipment for the \$27 billion project.

GEC had been earmarked to provide turbines and other equipment worth an estimated 500 million pounds (about HK\$5 billion). Framatome had been assigned the provision of two pressurised-water reactors, worth a reported U.S.\$1.4 billion (about HK\$10.9 billion), for the 1,800 megawatt plant near Guangzhou.

China hopes that at least 50 per cent of the power generated will be sold to Hong Kong.

A French official told the FINANCIAL TIMES: "We hope the negotiations with GEC will resume in the near future." Asked whether the French are close to providing the concessions sought by the Chinese, he said: "The Chinese are still not very close to the French."

The statement by Mr Pan Yansheng, reported in the SOUTH CHINA MORNING POST on Friday, that China would have to reassess the situation and possibly find new suppliers if there was no agreement in the latest talks, was described by the French official as a reflection of the tough Chinese negotiating stance.

He said the British and French sides had been willing to take "three or four steps" to appease the Chinese but the Chinese were "not willing to take one step."

He said there appeared to be "a lot of problems" in the GEC discussions, and there may very well be a pause for a certain time for Framatome.

The diplomatic significance of the protracted negotiations was shown during the British visit earlier this year of Chinese Premier, Mr Zhao Ziyang, when he told Mr Norman Tebbit, the trade and industry secretary, that his country wanted a price cut on the project and improved credit terms. At the time, Mr Zhao is understood to have assured Mr Tebbit that the Chinese Government was still keen on awarding the contract to GEC.

Meanwhile, it is understood there have been political rumblings in Britain over the possibility that GEC would withdraw from the Daya Bay project.

Any withdrawal would cost anything up to thousands of jobs because of the magnitude of the proposed project.

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CSO: 4020/64

HONG KONG MEDIA ON CHINA

PRC TO TIGHTEN CONTROLS ON TRADE FAIRS

HK310441 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 31 Oct 85 p 3

[By Paul Sham]

[Text] China is to tighten controls on trade exhibitions because of mounting complaints from foreign exhibitors, a senior official of the China Council for the Promotion of International Trade [CCPIT] said yesterday.

Mr Li Hetian, who represents CCPIT in Hong Kong, told BUSINESS NEWS foreign participants have protested that too many exhibitions have been occurring at the same time. Some have been poorly organised and have often failed to attract the target buyers, they claim.

Mr Li blamed the problem largely on China's inexperience in trade promotions.

Some provincial authorities, having little knowledge of the outside world, were willing to join hands with unscrupulous foreign "organisers," he said, while others have put personal gain above the interests of the state.

CCPIT is authorised by China's State Council to supervise trade exhibitions. Fairs occupying more than 200 sq m must seek prior approval.

Mr Li said his organisation will tighten its control over the number of exhibitions as well as investigate the backgrounds of local and foreign organisers more thoroughly.

CCPIT will also attempt to strengthen its role by fuller research of market situations, and organise its network of branch offices in each province and city more effectively.

He said the immediate task for CCPIT is to prevent exhibitions from overlapping and to make sure organisers, both domestic and foreign, are well-established. Some provinces just proceed with exhibitions without regard to the fact that other provinces have similar fairs running at the same time.

Mr Li cited the case early this year when two major textile machinery exhibitions, one in Beijing and the other in Shanghai, almost coincided.

Mr Li pointed out the CCPIT has received 180 applications so far for the right to stage exhibitions next year.

Such huge demand for this type of event is a new experience for China, he said.

"There have been too many foreign organisers and too many local sponsors for CCPIT to handle adequately at one time. We sometimes find it difficult to turn down an application which has already been approved by a provincial government," he added.

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CSO: 4020/64

HONG KONG MEDIA ON CHINA

HONG KONG EXECUTIVE DENIES COST CUTS TO AFFECT PRC N-PLANT'S SAFETY

HK310558 Hong Kong Domestic Service in English 0500 GMT 31 Oct 85

[Text] The chairman of the Hong Kong Nuclear Investment Company, Mr William Stones, has denied that if costs are cut on the Daya Bay nuclear power station project, safety standards would suffer. There have been reports that General Electric walked out of the latest round of talks in Beijing after the Chinese wanted a price reduction of up to 25 percent. Mr Stones says it's hoped the British company will return to the negotiating table, and that the talks can be concluded as soon as possible. He refused to comment on the reports about a price cut, but told Stewart Pallister that the joint venture company would not allow substandard safety measures.

[Begin recording] [Stones] There's absolutely no way that in fact any sort of reduction in price would in fact be at the expense of the safety of this plant, none whatsoever. Two reasons for that, first of all, the vendor of the nuclear plant would not sell its plant, which was unsafe, secondly EDF [electricite de France], who are our consultants, are a company of tremendous international repute and reputation, with a vast program in France, they would in no way allow us to design or to operate or construct an unsafe nuclear plant. That plant, as I have said over and over again, will be designed in accordance with the standards set by the French for their power stations in France, and in fact this power station will be designed as though it was in France, if the environmental conditions were the same.

[Pallister] How could costs be cut with the nuclear power station?

[Stones] On a whole, on a whole, the cost of a power station, the capital cost of the power station, the plant, is about 25 percent of the total cost. The other costs are civil costs, interests, financial conditions. These are where you hope to save money, not in the [changing sentence] everyone assumes that if you cut the price of a power station, it comes off the plant. It comes off all the other things, something like the other 75 percent. [End recording]

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HONG KONG MEDIA ON CHINA

GUANGDONG HOTEL VENTURES FIND DIFFICULTY EARNING FOREIGN EXCHANGE

HK300609 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 30 Oct 85 p 5

[By Olivia Sin, recently in Guangzhou]

[Text] Some joint venture hotels in Guangdong Province are having difficulty earning enough foreign exchange to pay back their investments, according to provincial authorities. They attributed the problem to lack of planning and undue competition created by a hotel construction "boom."

According to the YUEGANG INFORMATION PAPER, jointly published by Guangdong and Guangzhou authorities, some joint venture hotels are accepting Chinese currency in their food outlets to attract more local clientele.

However, RMB [Renminbi] earnings normally cannot be converted into foreign currency without special permission from China's State Administration of Exchange Control.

The problem is aggravated by the fact that many of the hotels have to pay a substantial amount of foreign currency to import Western-style food to maintain their service standards.

YUEGANG, a weekly paper mainly circulated in Guangdong, did not name the troubled hotels.

The paper is run by six parties, including the Economic Commission and Foreign Economic and Trade Committees of both Guangdong and Guangzhou, the Guangdong Enterprise Ltd, the Hong Kong representative office of the province and the YANG CHENG EVENING POST, a semi-official paper in Guangzhou.

Observers said the paper article could be referring to some of the small and medium-sized hotels in Guangdong which have failed to attract foreign visitors because of their unfavourable locations and inferior facilities. They said first-class hotels, such as the China Hotel and the White Swan Hotel, are unlikely to face such difficulties.

Some sources said holiday resorts in the Shenzhen special economic zone, which came under severe attack recently, were among the first to suffer from the paucity of custom.

As a result of Beijing's tightened credit control, the zone is suffering from fund problems and, thus, has become less attractive to foreign businessmen.

The past few years have seen a hotel building boom in China, particularly in Guangdong after the country adopted a liberal economic policy. "Such a fever of forming joint ventures to build hotels and office towers must be cooled down," said the article. It reminded state-owned corporations and foreign investors that before embarking on any hotel-related project they should make sure it can generate enough foreign exchange earnings to pay its development and financing costs.

"To balance their foreign exchange accounts, hotels and office towers should be primarily built to cater to foreign visitors," it said.

Quoting official figures, the article said joint venture hotel projects with a total foreign investment of U.S.\$500 million were approved in Guangdong last year. They all relied on foreign exchange earnings to pay back their investments. It warned that if the building boom is not arrested, both central and provincial authorities will shoulder a heavier burden to bail the hotel ventures out of their financial woes.

Industry sources welcomed the publication of the article and criticized the Chinese officials for indiscriminately approving hotel projects.

The total number of joint venture hotels built and approved in Guangdong is not readily available, but observers said the figure, including those in Shenzhen, could be well over 50. The sources said some of the hotels were built without doing any market research or feasibility studies.

The article said Guangdong's foreign Economic and Trade Committee issued two directives in April and May instructing various cities and counties to tighten approval criteria over tourism-related projects.

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HONG KONG ECONOMIC TRENDS

HONG KONG SAID AUSTRIAN TRADE LINK TO MAINLAND

OW042003 Beijing XINHUA in English 1830 GMT 4 Oct 85

[Text] Hong Kong, October 4 (XINHUA)--Hong Kong provides an excellent link between Austrian traders and businesses on the Chinese mainland, an Austrian banking chief said here today.

This is because Hong Kong combines the role of being the gateway to south China as well as the financial and commercial center of the Far East, Deputy Chairman of the Osoecreichische Landbank Manfred Drenning told a press conference.

On Thursday, he opened a regional representative office for the bank here--its third in Asia, following ones in Singapore and Beijing.

The office will jointly represent the bank and several Austrian companies in Hong Kong. The bank's Singapore office was set up in 1983, and its Beijing office just a few weeks ago.

Trade between Hong Kong and Austria is expanding, Drenning said. Last year, Hong Kong imported 128 million U.S. dollars worth of Austrian goods, while trade in the opposite direction was worth 64 million U.S. dollars.

He added: "Hong Kong's prospects are good, and I have full confidence in the opportunities of establishing an even better trade relationship with the territory."

Gunter Knauss, chief representative of the bank's Beijing office, disclosed at the conference that last year, Austria exported 87.5 million U.S. dollars worth of goods to China. Computers, agricultural machinery and railway equipment were among the major items. Exports from China to Austria were worth 43.7 million U.S. dollars.

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HONG KONG ECONOMIC TRENDS

HONG KONG'S JAN-AUG EXTERNAL TRADE INCREASES

OW140947 Beijing XINHUA in English 0827 GMT 14 Oct 85

[Text] Hong Kong, October 14 (XINHUA)--Total merchandise trade of Hong Kong for January-August of this year, valued at 305.07 billion Hong Kong dollars (39.11 billion U.S. dollars), showed an increase of seven percent compared with the same period in 1984, according to trade value statistics released yesterday by the Hong Kong Census and Statistics Department.

On the same basis of comparison, domestic exports decreased by six percent to 83.96 billion Hong Kong dollars (10.76 billion U.S. dollars), while re-exports increased by 37 percent to 70.36 billion Hong Kong dollars (9.02 billion U.S. dollars). Imports increased by four percent to 150.74 billion Hong Kong dollars (19.32 billion U.S. dollars).

Domestic exports to the United States, which continued to be Hong Kong's largest export market, decreased by eight percent to 36.91 billion Hong Kong dollars (4.73 billion U.S. dollars).

The Chinese mainland outstripped the United Kingdom to become the second largest market of Hong Kong exports, with a rapid increase of 61 percent to 10.41 billion Hong Kong dollars (1.33 billion U.S. dollars) while Hong Kong exports to all the other major markets decreased.

Re-exports to the Chinese mainland remained the highest, increasing by 116 percent to 32.21 billion Hong Kong dollars (4.14 billion U.S. dollars).

However, imports from the Chinese mainland slightly decreased by two percent to 35.687 billion Hong Kong dollars (4.57 billion U.S. dollars), falling just behind the largest import source of Japan which had an increase of eight percent to 36.11 billion Hong Kong dollars (4.63 billion U.S. dollars).

Hong Kong exports include mainly articles of apparel and clothing accessories and miscellaneous manufactured articles, and its imports and re-exports cover textile yarn, fabrics, made-up articles and related products and electrical machinery, apparatus and appliances.

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HONG KONG ECONOMIC TRENDS

PRC OFFICIAL COMMENTS ON HONG KONG BANKING SYSTEM

HK200920 Hong Kong HONG KONG STANDARD in English 20 Oct 85 p 2

[Text] Chinese officials have broken their silence on the operation of the Hong Kong banking system and spoken in support of setting up a local central bank.

The vice president of the Bank of China, Mr Jiang Wengui, told a Japanese newspaper that a central bank would be good for the loose and diversified monitoring mechanisms of the Hong Kong financial system.

Speaking to a correspondent of the NIPPON KANSAI SHIMBUN, Mr Jiang said while two commercial banks in Hong Kong issued banknotes, the interest rate was fixed by the Hong Kong Association of Banks, and the foreign exchange fund and banking operations were overseen by the government.

"Higher efficiency will be achieved if these diversified mechanisms are centralised," said Mr Jiang.

He said since Hong Kong was not a nation, it would not be appropriate to use the name "central bank."

"We can follow Singapore to call it a Monetary Council or something else to that effect," he added.

Mr Jiang said that there were many loopholes in the local banking system. In his opinion, the banks were too lenient in credit matters and the Hong Kong and Shanghai Bank was performing too many functions.

"These factors have caused instability in the banking system. Some of the banks have already collapsed for these reasons," he added.

The views of Mr Jiang have led to speculation by the Japanese correspondent that there would be great changes in financial transactions in Hong Kong after 1997.

Last June, the Bank of China joined hands with the Hong Kong Bank to support the Overseas Trust Bank. "If similar events happen again, we'll do our best to help," said Mr Jiang.

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